

**ALASKA LEGISLATURE**

**2723**

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

**SENATE FINANCE COMMITTEE REPORT**

DATE: 2/11/04

FEB 27 2004

FURTHER:

DATE TURNED IN TO OFFICE: 27 Feb 2004

Finance Committee considered

SENATE BILL NO. 289

**SB 289 EXTENDING THE SPECIAL ED SERVICE AGENCY**

"An Act extending the termination date of the special education service agency; 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

<b>Senate Bill:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<b>House Bill:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	Indet.	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
EDD	2/9/04			✓	#1

APPROPRIATION - no fiscal note

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

FEB 27 2004

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 289  
(S) Publish Date: 2/11/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: EED  
Title \_\_\_\_\_ RDU K-12 Support  
Component Schools for the Handicapped

Sponsor Senator Green  
Requester Health, Ed., and Soc. Serv., Finance Component No. 151

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

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Do. )

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

Estimate of any current year (FY2004) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This is a zero fiscal note.

Prepared by: Barbara Thompson, Director Phone 465-8727  
Division Teaching & Learning Support Date/Time 2/9/04 8:31 AM  
Approved by: \_\_\_\_\_ Date 2/9/2004  
Agency \_\_\_\_\_

# ALASKA STATE LEGISLATURE



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

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

## SENATOR LYDA GREEN SENATE DISTRICT G

### SPONSOR STATEMENT FOR SB289

*"An Act extending the termination date of the special education service agency; and providing for an effective date."*

The Alaska Legislature established the Special Education Service Agency (SESA) in 1986 to help schools and infant learning programs provide required services for children with severe disabilities where there is no local expertise. SESA makes it possible for services to be delivered to districts that could not otherwise hire specialists; for instance small and low attendance remote areas, or in a district where there was only one disabled child.

SESA employs professionals specializing in severe disabilities such as blindness and visual impairment, deafness and hearing impairment, autism, mental retardation, multiple disabilities, deaf-blindness, and significant physical and emotional disabilities. SESA offers school-wide and district-wide consultations and support, local and regional services and workshops, statewide workshops and courses, technical assistance newsletters, and an extensive library and website. As intended by the legislature, student-specific service is targeted to small school districts, but SESA's workshops, courses, library, newsletter and website are provided to all schools.

SESA receives core funding through the Department of Education and Early Development. The appropriation for FY2005 is included in the Governor's proposed budget. SESA received positive performance reviews from the Division of Legislative Audit and was extended by the legislature in 1987, 1989, 1992, and 1995. The Division again recommends continuation. The Alaska Association of School Boards, The Alaska Association of School Administrators, The National Education Association-Alaska, The Governor's Council on Disabilities and Special Education, and the Department of Education and Early Development each support the extension of SESA.

The availability of specialized personnel in Alaska has decreased at the same time the incidence of severe disabilities has increased. SESA provides important functions for Alaskan children who would otherwise have to leave their families and communities to receive services in costly residential programs. SB289 reauthorizes the Special Education Service Agency for another nine years, to June 30, 2013.

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES



# NEA-ALASKA

*Affiliated with the National Education Association*

June 16, 2003

Chris Robinson, Executive Director  
Special Education Service Agency  
2217 East Tudor Rd., Suite 1  
Anchorage, AK 99507

Dear Mr. Robinson:

NEA-Alaska worked for the establishment of the Special Education Service Agency (SESA) in the 1980s. Since that time, our members have appreciated the support SESA has provided in educating students with low-incidence handicapping conditions. In 1993, our Delegate Assembly passed a New Business Item to support its continued existence.

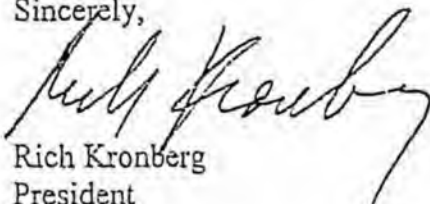
Since the passage of that New Business Item, SESA has proven to be an even more critical component in the educational infrastructure of Alaska. The delegates to our Delegate Assembly have recognized this by changing the New Business Item that supported SESA to a Resolution in support of SESA. Unlike New Business Items, which are specific and time sensitive, Resolutions are statements of our core organizational beliefs and are not time limited.

The following is the relevant text of NEA-Alaska Resolution E-7:

*NEA-Alaska shall continue to support the Special Education Service Agency (SESA), a statewide agency that assists rural schools serving low incident students with disabilities. NEA-Alaska shall continue to support appointment of a member of the NEA-Alaska Special Education Committee...to be on SESA's Board of Directors.*

On a personal level, I have always felt that the schools and students of Alaska have always been well-served by SESA staff. I have only heard positive reports about their work in the schools around our state.

Sincerely,



Rich Kronberg  
President

Alaska Association of School Administrators

Resolution #3

SESA Reauthorization  
Continuation and funding of the Special Education Service Agency

Originated by: the Alaska Association of School Administrators at the Fall Meeting in Girdwood, Alaska, October 5, 2003.

WHEREAS, the Alaska Legislature established the Special Education Service Agency (SESA) for the primary purpose of helping school districts provide mandated special education programs for students with low incidence disabilities, and

WHEREAS, most school districts in Alaska are unable to obtain qualified and experienced personnel to design and support effective, evidenced-based educational approaches for affected students, and

WHEREAS, access to personnel with specialized training and experience is essential if local schools are to provide effective special education to these students in their home districts as required by law, and

WHEREAS, SESA is the only Alaskan resource offering significant disability program supports to schools and parents, and SESA services have proven to be both educationally effective and fiscally efficient during seventeen years of operation, and

WHEREAS, SESA was cited for commendation by the U.S. Office of Education in a past review of the state's special education system, and receives consistently excellent ratings of satisfaction from service recipients and parents, and

WHEREAS, the most recent performance review of the agency by the Division of Legislative Audit strongly supported its current design and operations, and recommended the Legislature consider removing SESA from sunset status, and

WHEREAS, the Agency has been reauthorize by the Alaska Legislature four times since 1986, with formal support from school boards, superintendents, teachers, parents, and school districts, now

**THEREFORE IT IS RESOLVED** that the Alaska Association of School Administrators supports the continuation and full funding of the Special Education Service Agency as in A.S. 14.30.600, including reporting requirements to the Department of Education, and supports removal of the agency from sunset status.

Adopted: Girdwood, October 5, 2003



FRANK H. MURKOWSKI, GOVERNOR  
State of Alaska

GOVERNOR'S COUNCIL ON DISABILITIES AND SPECIAL EDUCATION

P.O. Box 240249 • Anchorage, Alaska 99524-0249 • Phone: 907-269-8990 • Fax: 907-269-8995 • Toll Free 800-709-8990

A Resolution on the Continuation and Full Funding of the Special Education Service Agency

Whereas the Alaska Legislature established the Special Education Service Agency (SESA) for the primary purpose of helping school districts provide mandated special education programs for students with low incidence disabilities; and,

Whereas most school districts in Alaska are unable to obtain qualified and experienced personnel to design and support effective, research-based educational approaches for affected students, and,

Whereas access to personnel with specialized training and experience is essential if local schools are to provide effective special education to these students in their home districts as required by law; and,

Whereas SESA is the only Alaskan resource offering specialized supports to schools and parents, and SESA services have proven to be both educationally effective and fiscally efficient during seventeen years of operation; and,

Whereas SESA was cited for commendation by the U.S. Office of Education in a past review of the state's special education system, and receives consistently excellent ratings of satisfaction from service recipients and parents; and,

Whereas the most recent performance review of the agency by the Division of Legislative Audit strongly supported its current design and operations, and recommended the Legislature consider removing SESA from sunset status; and,

Whereas the Agency has been reauthorized by the Alaska Legislature four times since 1986, each time with formal support from school boards, superintendents, teachers, parents, and school districts, now

Therefore BE IT RESOLVED THAT the Governor's Council on Disabilities and Special Education supports the continuation and full funding of the Special Education Service Agency as in A.S. 14.30.600, including reporting requirements to the Department of Education, and supports removal of the agency from sunset status.

Respectfully submitted,

*Elizabeth A. Edmands*

Elizabeth Edmands, Council Chair

October 15, 2003

# Unalaska City School District



Resolution 04-03

## CONTINUATION and FUNDING of the SPECIAL EDUCATION SERVICE AGENCY

**Whereas** the Alaska Legislature established the Special Education Service Agency (SESA) for the primary purpose of helping school districts provide mandated special education programs for students with low incidence disabilities; and,

**Whereas** most school districts in Alaska are unable to obtain qualified and experienced personnel to design and support effective, research-based educational approaches for affected students, and,

**Whereas** access to personnel with specialized training and experience is essential if local schools are to provide effective special education to these students in their home districts as required by law; and,

**Whereas** SESA is the only Alaskan resource offering significant disability program supports to schools and parents, and SESA services have proven to be both educationally effective and fiscally efficient during seventeen years of operation; and,

**Whereas** SESA was cited for commendation by the U.S. Office of Education in a past review of the state's special education system, and receives consistently excellent ratings of satisfaction from service recipients and parents; and,

**Whereas** the most recent performance review of the agency by the Division of Legislative Audit strongly supported its current design and operations, and recommended the Legislature consider removing SESA from sunset status; and,

**Whereas** the Agency has been reauthorized by the Alaska Legislature four times since 1986, each time with formal support from school boards, superintendents, teachers, parents, and school districts, now

**NOW THEREFORE BE IT RESOLVED THAT** the Unalaska City School Board of Education supports the continuation and full funding of the Special Education Service Agency as in A.S. 14.30.600, including reporting requirements to the Department of Education, and supports removal of the agency from sunset status.

PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE UNALASKA CITY SCHOOL BOARD THIS 30<sup>TH</sup> DAY OF OCTOBER 2003.

Tammy Fowler-Pound  
Board President

Sonia Handforth-Kome  
Clerk/Treasurer



**WRANGELL  
PUBLIC SCHOOLS  
DISTRICT OFFICE**

P.O. BOX 2319  
WRANGELL, ALASKA 99929  
Telephone (907) 874-2347  
Fax # (907) 874-3137

GATEWAY TO THE STIKINE

**Resolution 04-01**

**A Resolution of the Wrangell Public School Board Supporting Continuation  
and Funding of the Special Education Service Agency**

Whereas the Alaska Legislature established the Special Education Service Agency (SESA) for the primary purpose of helping school districts provide mandated special education programs for students with low incidence disabilities, and,

Whereas most school districts in Alaska are unable to obtain qualified and experienced personnel to design and support effective, research-based educational approaches for affected students, and,

Whereas SESA is the only Alaskan resource offering significant disability program supports to schools and parents, and SESA services have proven to be both educationally effective and fiscally efficient during seventeen years of operation, and,

Whereas SESA was cited for commendation by the U.S. Office of Education in a past review of the state's special education system, and receives consistently excellent ratings of satisfaction from service recipients and parents, and,

Whereas the most recent performance review of the agency by the Division of Legislative Audit strongly supported its current design and operations, and recommended the Legislature consider removing SESA from sunset status, and,

Whereas the Agency has been reauthorized by the Alaska Legislature four times since 1986, each time with formal support from school boards, superintendents, teachers, parents, and school districts, now

Therefore **BE IT RESOLVED THAT** Wrangell Public Schools supports the continuation and full funding of the Special Education Service Agency as in A.S. 14.30.600, including reporting requirements to the Department of Education, and supports removal of the agency from sunset status.

ENACTED THIS 20<sup>th</sup> DAY OF October, 2003.

Wrangell, Alaska

LaDonna Barlow  
School Board President

October 29, 2003  
Date

Penella McLachlan  
School Board Secretary/Treasurer

12/1/03  
Date

# *Kake City School District*

*P.O. Box 450  
Kake, Alaska 99830  
(907) 785-3741*

October 21, 2003

Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road, Suite 1  
Anchorage, AK 99507

Dear Ms. Vaile,

I have received notification that Alaska Statute 14.300.600 – 660 is scheduled to sunset at the close of this next school year and without reauthorization by the Legislature, SESA will be dissolved.


As Superintendent of the Kake City School District, I want to put my full support for the reauthorization of SESA on record. The services that SESA makes available to Kake are vital to the effectiveness of our special education programs. Students with low incidence disabilities deserve the best we can give them. The services SESA helps our district provide give us a degree of specialization and expertise that we would not be able to replace.

If SESA is not re-authorized I am concerned that we would not be able to maintain adequate services and students with severe disabilities would be forced to leave their homes and the village to receive appropriate services.

SESA has been a successful and efficient innovation for sharing scarce resources and offers an economy of scale rarely provided for districts like ours. I would encourage the Legislature to apply the SESA model to other statewide needs rather than allowing it to expire.

To this end, the Kake City School District Board of Education submits the enclosed Resolution unanimously approved at our regular board meeting on October 14, 2003. We fully support the continuation of SESA for the benefit of the students of Kake and all students in Alaska.

Sincerely,

  
Eric Gebhart  
Superintendent

*Kake City School District is an Equal Opportunity Employer*

# *Kake City School District*

*P.O. Box 450  
Kake, Alaska 99830  
(907) 785-3741*

Resolution #101403

## Continuation and Funding of the Special Education Service Agency

Whereas the Alaska Legislature established the Special Education Service Agency (SESA) for the primary purpose of helping school districts provide mandated special education programs for students with low incidence disabilities; and,

Whereas most school districts in Alaska are unable to obtain qualified and experienced personnel to design and support effective, research-based educational approaches for affected students; and,

Whereas access to personnel with specialized training and experience is essential if local schools are to provide effective special education to these students in their home districts as required by law; and,

Whereas SESA is the only Alaskan resource offering significant disability program supports to schools and parents, and SESA services have proven to be both educationally effective and fiscally efficient during seventeen years of operation; and,

Whereas SESA was cited for commendation by the U.S. Office of Education in a past review of the state's special education system, and receives consistently excellent ratings of satisfaction from service recipients and parents; and,

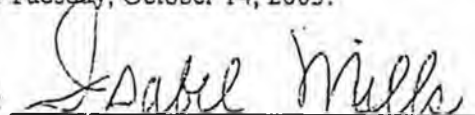
Whereas the most recent performance review of the agency by the Division of Legislative Audit strongly supported its current design and operations, and recommended the Legislature consider removing SESA from sunset status; and,

Whereas the Agency has been reauthorized by the Alaska Legislature four times since 1986, each time with formal support from school boards, superintendents, teachers, parents, and school districts, now

Therefore BE IT RESOLVED THAT the school board of the Kake City School District supports the continuation and full funding of the Special Education Service Agency as in A.S. 14.30.600, including reporting requirements to the Department of Education, and supports removal of the agency from sunset status.

Adopted by the Kake City School District Board of Education at a regularly scheduled meeting held on Tuesday, October 14, 2003.

Signed:

  
Isabel Mills, School Board President

10-14-03  
Date

*Kake City School District is an Equal Opportunity Employer*



Kodiak Island Borough School District  
Office of the Superintendent  
722 Mill Bay Road  
Kodiak, Alaska 99615  
907-486-9220

November 17, 2003

Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road, Suite 1  
Anchorage, Alaska 99507

Dear Ms. Valle:

It has come to my attention that Alaska Statute 14.300.600 - 660 is scheduled to sunset on June 30, 2004, and without reauthorization by the Legislature, the Special Education Service Agency (SESA) will be dissolved.

As a school district superintendent, I want to put my support for SESA's reauthorization on the record. The services SESA makes available to the Kodiak Island Borough School District must be continued if we are to provide appropriate special education programs as mandated for our students with low incidence disabilities. We have a very difficult time finding special education and related service personnel for our district openings. Low incidence professionals would be even more difficult if not impossible to find. We cannot be expected to acquire teachers with the specialized training and experience needed to design and implement severe disability programs.

I am concerned that without the in-district and distance support SESA provides our teachers and aides, we would face new costs for special education hearings and/or litigation, or would be forced to place students in very costly out-of-district or out-of-state residential programs, at district expense.

SESA has been a successful and efficient innovation for sharing of scarce resources and offers an economy of scale rarely provided small and rural districts. If anything, the state might consider applying the SESA model to other statewide needs, rather than allow it to expire.

Sincerely,

Betty Walters  
Superintendent  
Kodiak Island Borough School District

VALDEZ CITY SCHOOLS

Office of the Superintendent  
P.O. Box 398 - 1112 West Klutina  
Valdez, AK 99686  
TEL# (907) 835-4357, FAX# (907) 835-4964  
www.valdezcityschools.org

Resolution 04-03  
Of the Board of Education

Concerning: Continuation and Funding of the Special Education Service Agency

Whereas, the Alaska Legislature established the Special Education Service Agency (SESA) for the primary purpose of helping school districts provide mandated special education programs for students with low incidence disabilities; and,

Whereas, most school districts in Alaska are unable to obtain qualified and experienced personnel to design and support effective, researched-based educational approaches for affected students, and,

Whereas, access to personnel with specialized training and experience is essential if local schools are to provide effective special education to these students in their home districts as required by law; and,

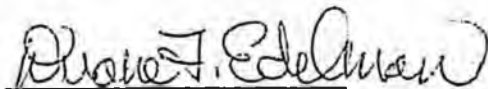
Whereas, SESA is the only Alaskan resource offering significant disability program supports to schools and parents, and SESA services have proven to be both educationally effective and fiscally efficient during seventeen years of operation; and,


Whereas, SESA was cited for commendation by the U.S. Office of Education in a past review of the state's special education system, and receives consistently excellent ratings of satisfaction from service recipients and parents; and,

Whereas, the most recent performance review of the agency by the Division of Legislative Audit strongly supported its current design and operations, and recommended the Legislature consider removing SESA from sunset status; and,

Whereas, the Agency has been reauthorized by the Alaska Legislature four times since 1986, each time with formal support from school boards, superintendents, teachers, parents, and school districts, now,

Therefore be it resolved that the Valdez City School District Board of Education supports the continuation and full funding of the Special Education Service Agency as in A.S. 14.30.600, including reporting requirements to the Department of Education, and supports removal of the agency from sunset status.

  
Board President

  
Vice President

September 22, 2003  
Date

# VALDEZ CITY SCHOOL DISTRICT

Office of the Superintendent  
P.O. Box 398 - 1112 West Klutina Street  
Valdez, AK 99686  
TEL# (907) 835-4357, FAX# (907) 835-4964  
[www.valdezcityschools.org](http://www.valdezcityschools.org)

September 26, 2003

Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road, Suite 1  
Anchorage, Alaska 99507

Dear Ms. Valle:

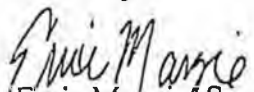
It has come to my attention that Alaska Statute 14.300.600 – 660 is scheduled to sunset on June 30, 2004, and without reauthorization by the Legislature, the Special Education Service Agency (SESA) will be dissolved.

As a school district superintendent, I want to put my support for SESA's reauthorization on the record. The services SESA makes available to my district must be continued if we are to provide appropriate special education programs as mandated for our students with low incidence disabilities. We cannot be expected to acquire teachers with the specialized training and experience needed to design and implement severe disability programs.

I am concerned that without the in-district and distance support SESA provides our teachers and aides, we would face new costs for special education hearings and/or litigation, or would be forced to place students in very costly out-of-district or out-of-state residential programs, at district expense.

SESA has been a successful and efficient innovation for sharing of scarce resources and offers an economy of scale rarely provided small and rural districts. If anything, the state might consider applying the SESA model to other statewide needs, rather than allow it to expire.

Sincerely,

  
Ernie Manzie, Superintendent  
Valdez City School District

EM:dfs



# FAIRBANKS NORTH STAR BOROUGH SCHOOL DISTRICT

520 Fifth Avenue

Fairbanks, Alaska 99701-4756

(907) 452-2000

October 22, 2003

Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road, Ste 1  
Anchorage, AK 99507

Dear Ms. Valle:

I am writing on behalf of the Fairbanks North Star Borough School District to express our support for the reauthorization of the Special Education Service Agency by the state legislature and to extend or eliminate the June 30, 2004 sunset date.

The services of SESA to our district need to be continued and enhanced if we are to provide appropriate special education programs as mandated for our students with low incidence disabilities. We are finding it to be more and more difficult to acquire teachers with the specialized training and experience needed to design and implement severe disability programs. Please consider increasing services, not eliminating them.

While we are trying to do more for students with less revenue, it only makes sense to keep any economical services that have been successful. SESA has been that successful and efficient model for sharing of scarce resources. They also offer an economy of scale for districts. The state must consider applying the SESA model to other statewide needs, rather than allow it to sunset in June 2004.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Ann E. Shortt". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ann E. Shortt, Ed. D.  
Superintendent of Schools

/plh

Yupiiit School District  
P.O. Box 51190  
Akiachak, Alaska 99551  
(907) 825-3600 phone; (907) 825-3655 fax

Ms. Gayle Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road, Suite 1  
Anchorage, Alaska 99507

Dear Ms. Valle,

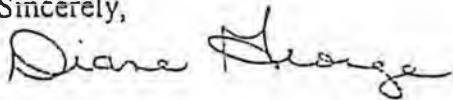
It has come to my attention that Alaska Statute 14.300.600-660 is scheduled to sunset on June 30, 2004, and without reauthorization by the Legislature, the Special Education Service Agency (SESA) will be dissolved.

As the special education director for the Yupiiit School District, I want to put my full support for SESA's reauthorization on record. The services that SESA provides to my district have proved invaluable over the last several years. Without these services it would be nearly impossible for us to meet the needs of our students with low incidence disabilities. In addition, with the continuing shortage of special educators it is becoming even more difficult to hire teachers with the specialized training and experience needed to design and implement programs for students with severe disabilities.

Without the supports that SESA provides our district would be forced to consider out-of-district or out-of-state placements for some students. This is not only very costly, but in direct violation of IDEA which requires home school placement to the greatest extent possible.

SESA has been a successful model for supporting districts in their attempts to meet the educational needs of their most significantly disabled students. It would be a shame to lose this support in this time of shrinking financial resources.

Sincerely,



Diane George  
Special Education Director

Cc: Representative Mary Kapsner,  
Senator Lyman Hoffman  
Commissioner Roger Sampson



**WRANGELL  
PUBLIC SCHOOLS  
DISTRICT OFFICE**

GATEWAY TO THE STIKINE

P.O. BOX 2319  
WRANGELL, ALASKA 99929  
Telephone (907) 874-2347  
Fax # (907) 874-3137

September 19, 2003  
Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road Suite 1  
Anchorage, Alaska 99507

Dear Ms. Valle:

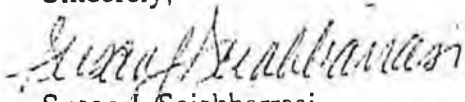
It has come to my attention that Alaska Statute 14.300.600 – 660 is scheduled to sunset on June 30, 2004, and without reauthorization by the Legislature, the Special Education Service Agency (SESA) will be dissolved.

As a school district superintendent, I want to put my support for SESA's reauthorization on the record. The services SESA makes available to my district must be continued if we are to provide appropriate special education programs as mandated for our students with low incidence disabilities. We cannot be expected to acquire teachers with the specialized training and experience needed to design and implement severe disability programs.

I am concerned that without the in-district and distance support SESA provides our teachers and aides, we would face new costs for special education hearings and/or litigation, or would be forced to place students in very costly out-of-district or out-of-state residential programs, at district expense.

SESA has been a successful and efficient innovation for sharing of scarce resources and offers an economy of scale rarely provided small and rural districts. If anything, the state might consider applying the SESA model to other statewide needs, rather than allow it to expire.

Sincerely,

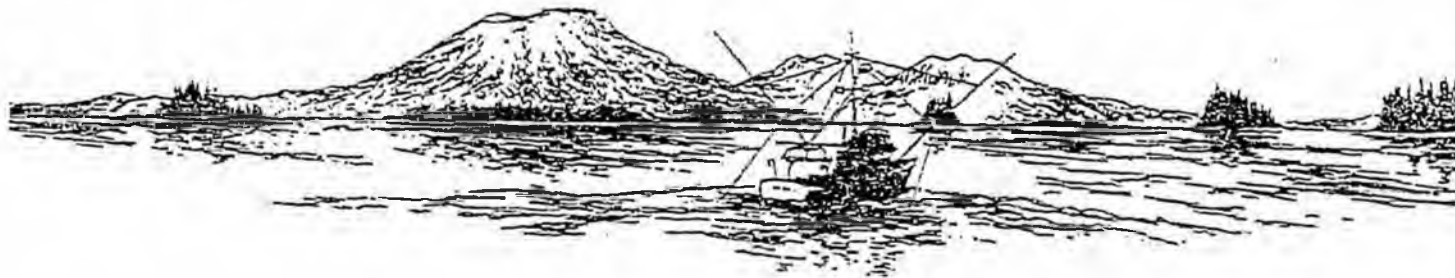
  
Susan J. Sciabbarrasi  
Superintendent

CC. Representative Peggy Wilson  
Roger Sampson, Alaska Commissioner of Education  
State Board of Education

# SITKA SCHOOL DISTRICT

www.ssd.k12.ak.us

300 Kostrometinoff  
Sitka, Alaska 99835  
Phone: (907) 747-8622  
Fax: (907) 966-1260



September 19, 2003

Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road Suite 1  
Anchorage, AK 99507

Dear Ms. Valle,


When the Alaska Legislature established Special Education Service Agency (SESA) to help school districts provide mandated services in special education, this was a terrific decision. Now it is my understanding that Alaska Statute 14.300.600-660 is scheduled to sunset on June 30, 2004, and without reauthorization by the Legislature, SESA will be dissolved.

With the decline in enrollment, which in turn means a decline in budget, districts are faced with difficulties in meeting the needs of all special education students. Even though the enrollment is decreasing, in many areas the percentage of students with low incidence disabilities is increasing, which creates difficulties. Besides the decrease in enrollment it is becoming increasingly difficult to find educators that have the qualifications needed to work with many of these students. SESA is a great resource for this reason.

If SESA was dissolved there would definitely be a cost increase to the district due to providing special education services to students in out of district facilities or also due to litigation. Both of which would be at district expense.

I strongly encourage you to give your highest consideration to continue and to fully fund SESA in any possible manner.

Sincerely,

  
Steve Bradshaw  
Superintendent

"Educating Today's Children to Become Tomorrow's Leaders"

NOME PUBLIC SCHOOLS

Bcx 131, Nome, Alaska 99762 • FAX: (907) 443-5144 • Telephone (907) 443-2231



September 17, 2003

Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road Suite 1  
Anchorage, Alaska 99507

Dear Ms. Valle:

It has come to my attention that Alaska Statute 14.300.600-660 is scheduled to sunset on June 30, 2004, and without reauthorization by the Legislature, the Special Education Service Agency (SESA) will be dissolved.

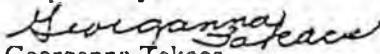
As Director of Special Education in a school district receiving SESA services, I would like my support for reauthorization noted on record. The services SESA makes available to my district and our students with low incidence disabilities must be continued if we are to provide appropriate special education programs as mandated by law. We cannot be expected to acquire teachers with the specialized training and experience needed to design and implement severe disability programs.

I am very concerned that without the in-district and distance support SESA provides our teachers, aides and parents, we will find ourselves in costly special education hearings and/or litigations. There is also the possibility that it would become necessary to place students in out of district residential programs that would be extremely costly to the district.

In addition to the highly qualified personnel SESA provides to our districts, they also offer an array of resources through their lending library. This service alone has saved our district a huge amount of money.

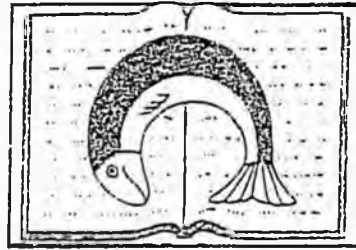
Please support the renewal of the above statute and allow us to continue receiving the support afforded us by SESA.

Respectfully,

  
Georganna Takacs

Director of Special Education  
Nome Public Schools

Cc: Representative Richard Foster  
Senator Donald Olson  
Commissioner of Education Roger Sampson  
State Board of Education Richard Mauer, Chair



# Lower Kuskokwim School District

Special Education Department  
P.O. Box 305 • Bethel, Alaska 99559-0305  
907 543-4871/4872 FAX 907 543-4931

September 15, 2003

Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road, Suite 1  
Anchorage, AK 99507

Dear Ms. Valle:

It has come to our attention that Alaska Statute 14.300.600-660 is scheduled to sunset on June 30, 2004, and without reauthorization by the Legislature, the Special Education Service Agency (SESA) will be dissolved.

We currently receive services from SESA in the specialized areas of Assistive Technology and Deaf/Hard of Hearing. These services are extremely beneficial for some of our special education students with low incidence disabilities. Given the present market, we are not always able to hire special education teachers with the specialized training and experience needed to design and implement these programs. By providing training to our teachers and paraprofessionals, SESA helps us provide the required elements of a compliant special education program for these low incidence students. Another important benefit our district receives from SESA is their participation as speakers in our regional special education inservice each fall. Professionals and parents from throughout the region benefit from the SESA staff's expertise in the areas of low incidence disabilities.

Over the years, SESA has been a successful and efficient resource for both direct services and staff development in our district. Lower Kuskokwim School District wants to emphasize the benefit of SESA's services and document our support for SESA's reauthorization.

Sincerely,

A handwritten signature in cursive script that reads "William A. Ferguson".

William Ferguson, Superintendent

A handwritten signature in cursive script that reads "Linae Sanger".  
Linae Sanger, Special Education Director

cc: YOUR DISTRICT LEGISLATIVE DELEGATION  
Alaska Commissioner of Education  
State Board of Education

# North Slope Borough School District



September 10, 2003

Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road, Suite 1  
Anchorage, AK 99507

Dear Ms. Valle:

It has come to my attention that Alaska Statute 14.300.600 – 660 is scheduled to sunset on June 30, 2004, and without reauthorization by the Legislature, the Special Education Service Agency (SESA) will be dissolved.

As a school district superintendent, I want to put my support for SESA's reauthorization on the record. The services SESA makes available to my district must be continued if we are to provide appropriate special education programs as mandated for our students with low-incidence disabilities. We cannot be expected to acquire teachers with the specialized training and experience needed to design and implement severe disability programs.

I am concerned that without the in-district and distance support SESA provides our teachers and aides, we would face new costs for special education hearings and/or litigation, or would be forced to place students in very costly out-of-district or out-of-state residential programs, at district expense.

SESA has been a successful and efficient innovation for sharing of scarce resources and offers an economy of scale rarely provided small and rural districts. If anything, the state might consider applying the SESA model to other statewide needs, rather than allow it to expire.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael M. Smith".

Dr. Michael M. Smith,  
Superintendent

H:\ann\michael\letters\04-28.doc



# THE LAKE AND PENINSULA SCHOOL DISTRICT

101 Jensen Drive  
P.O. Box 498  
King Salmon, Alaska 99613  
Phone (907) 246-4280/Fax (907) 246-4473



Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road, Suite 1  
Anchorage, Alaska 99507

September 11, 2003

Dear Ms. Valle:

Recently I learned that Alaska Statute 14.300.600-600, that created the Special Education Service Agency, is scheduled to sunset at the end of June, 2004. I am writing to the SESA Board of Directors to share my observations of what SESA has provided to our school district and to express my support for the reauthorization of SESA.

The Lake and Peninsula School District serves a small number of students spread across a large number of widely separated sites. Sprinkled among our isolated school sites, each year, are children who experience intensive disabilities or severe challenging behavior. A district of our size cannot afford to hire the specialized staff who are needed to build effective programs for these children. SESA program specialists provide our district with expertise in autism, positive behavior supports, specialized instruction, specialized materials and adaptive equipment. In addition, the SESA library provides our special educators and parents with a cost-effective way to access special education materials that are too expensive for a small district or individual family to purchase.

Without the support of SESA program specialists and the SESA library, the special education programs for children with intensive needs and severe challenging behavior in our district would not be as effective as they are today. Interestingly, by providing specialized support to small districts such as ours, SESA saves Alaska money. Programs for students with intensive needs that are ineffective become targets of legal challenge. School districts embroiled in legal challenges from advocates for children with disabilities must divert significant resources to defend themselves. SESA helps even small districts offer the highest quality programs that we can to our disabled students.

The Lake and Peninsula School District supports continued funding of the Special Education Service Agency. SESA provides essential services that make a difference.

Please share this letter with legislators and other individuals involved in determining SESA's future. Thank you for the many years of high quality support that SESA has provided to students, teachers and parents in the Lake and Peninsula School District.

Sincerely,

A handwritten signature in black ink, which appears to read "Steve Atwater".

Steve Atwater, Superintendent

Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road Suite 1  
Anchorage, Alaska 99507

Dear Ms. Valle:

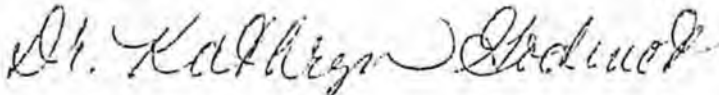
I have recently become aware that Alaska Statute 14.300.600 – 660 is scheduled to sunset on June 30, 2004. Without reauthorization by the Legislature, the Special Education Service Agency (SESA) will be no more. This is a great concern to small and large school districts here in Alaska.

I support SESA's reauthorization. Being the school superintendent for St. Mary's City Schools, I have found that the services SESA makes available to my district must be continued if we are to provide appropriate special education programs as mandated for our students with low incidence disabilities. Here in the bush, districts cannot be expected to acquire teachers with the specialized training and experience needed to design and implement severe disability programs. We desperately need these critical services which are provided to us by SESA!

There is no doubt that without the in-district and distance support SESA provides our teachers and aides, we would face huge new costs for special education hearings and/or litigation. We could be forced to place students in very costly out-of-district or out-of-state residential programs. These are expenses that our district can ill afford.

SESA is a successful and efficient organization to share scarce resources and offers quality services provided to small and rural districts. Please assure that this critical service to bush Alaska school districts is continued.

Sincerely,



Dr. Kathryn Godinet,  
Superintendent

cc: Alaska Commissioner of Education  
State Board of Education



# Klawock City School District

P.O. Box 9 Klawock, Alaska 99925 907-755-2220 Fax: 907-755-2913

Richard E. Carlson  
Superintendent

Donald H. Busse  
K-12 Principal

September 3, 2003

Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road Suite 1  
Anchorage, Alaska 99507

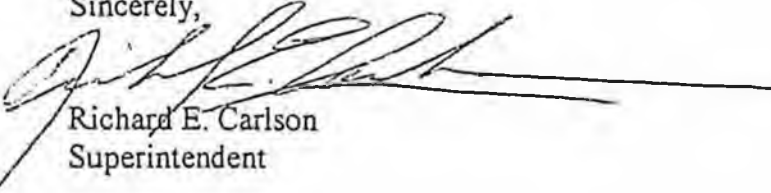
Dear Ms. Valle:

As you are aware the Alaska Statute 14.300.600 – 660 is scheduled to sunset on June 30, 2004 and without reauthorization by the Legislature, the Special Education Service Agency (SESA) will be dissolved.

As superintendent of a small school district, I want to put my support for SESA's reauthorization on the record. The services SESA makes available to my district must be continued if we are to provide appropriate special education programs as mandated for our students with low incidence disabilities. We cannot be expected to acquire teachers with the specialized training and experience needed to design and implement severe disability programs.

SESA has been a successful and efficient innovation for sharing of scarce resources and offers an economy of scale rarely provided small and rural districts. If anything, the state might consider applying the SESA model to other statewide needs, rather than allow it to expire.

Sincerely,



Richard E. Carlson  
Superintendent

Cc: Cindy Mills, Board President  
Alaska Commissioner of Education



## SOUTHEAST ISLAND SCHOOL DISTRICT

P.O. Box 19569 Thorne Bay, Alaska 99919

(907) 828-8254 Fax: (907) 828-8257 [darensman@sisd.org](mailto:darensman@sisd.org)

---

President Gayla Valle  
Board of Directors  
Southeast Education Service Agency

Dear Ms. Valle:

The Special Education Service Agency has provided excellent services to the low incidence students in Alaska. In my role as superintendent and special education director for Southeast Island School District I am writing to urge the reauthorization of Alaska Statute 14.300.600-660, which will sunset on June 30, 2004.

My district is small and has only a few low incidence students. It would seem to be impossible for small districts such as SISD to provide the high quality services now performed by SESA. Even when I was in Bering Strait School District, a large school district, we relied on SESA for services.

To pull the SESA services from districts will be an injustice to the students who benefit now.

Sincerely,

A handwritten signature in cursive script that reads "Dorothy Arensman".

Dorothy Arensman, Ed.D.

Cc: Legislative delegation  
Alaska Commissioner of Education  
State Board of Education



BRISTOL BAY BOROUGH SCHOOL DISTRICT

P. O. BOX 169  
NAKNEK, ALASKA 99633

KELLY W. CASTLEBERRY  
PRINCIPAL  
PHONE: (907) 246-4265  
FAX: (907) 246-4447  
E-MAIL: kcastleberry@nnk.gcisa.net

RICHARD D. HEBHARDT  
SUPERINTENDENT  
PHONE: (907) 246-4225  
FAX: (907) 246-6857  
E-MAIL: rnehardt@nnk.gcisa.net

October 27, 2003

Ms. Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road, Suite 1  
Anchorage, Alaska 99507

Dear Ms. Valle:

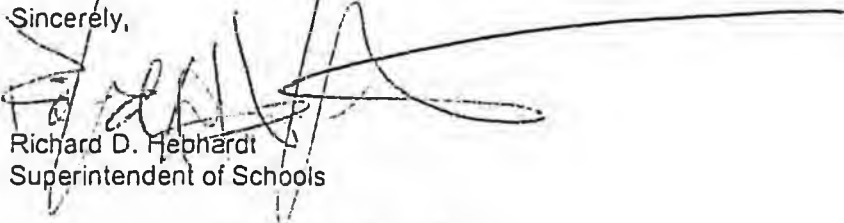
It has come to my attention that Alaska Statute 14.300.600-660 is scheduled to sunset on June 30, 2004, and without reauthorization by the Legislature, the Special Education Service Agency (SESA) will be dissolved.

As a school district superintendent, I want to put my support for SESA's reauthorization on the record. The services SESA makes available to my district must be continued if we are to provide appropriate special education programs as mandated for our students with low incidence disabilities. We cannot be expected to acquire teachers with the specialized training and experience needed to design and implement severe disability programs.

I am concerned that without the in-district and distance support SESA provides our teachers and aides, we would face new costs for special education hearings and/or litigation, or would be forced to place students in very costly out-of-district or out-of-state residential programs, at district expense.

SESA has been a successful and efficient innovation for sharing of scarce resources and offers an economy of scale rarely provided small and rural districts. If anything, the state might consider applying the SESA model to other statewide needs, rather than allow it to expire.

Sincerely,



Richard D. Hehardt  
Superintendent of Schools

Cc: Alaska Commissioner of Education



## KENAI PENINSULA BOROUGH SCHOOL DISTRICT

### Office of Superintendent

Dr. Donna Peterson, Superintendent of Schools  
148 North Binkley Street Soldotna, Alaska 99669-7553  
Phone (907) 262-5846 Fax (907) 262-9132

September 9, 2003

Ms Gayla Valle, President  
Board of Directors  
Special Education Service Agency  
2217 East Tudor Road, Suite 1  
Anchorage, Alaska 99507

Dear Ms. Valle:

I have been told that Alaska Statute 14.30.600-660 is scheduled to sunset on June 30, 2004, and without reauthorization by the Legislature, the Special Education Service Agency (SESA) will be dissolved.

As a school district superintendent, I want to support SESA's reauthorization. However, that support is contingent on SESA's services being available to all school districts within the state. Currently, SESA restricts its services to small rural school districts. Many districts in this state, this one included, serve both urban and rural communities. We have children located in rural communities with low incidence special education needs who require specialized services that are not available in these communities. Because of the low incidence of these children, they are not easily served by this district, and yet, SESA's services have not been available to us.

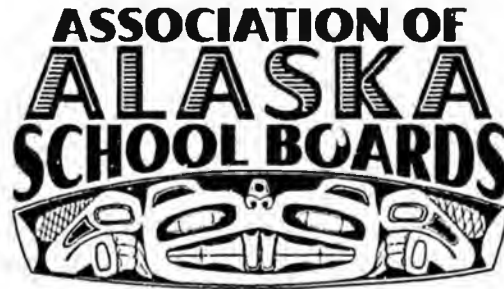
SESA has been a successful and efficient model for sharing scarce resources and has offered an economy of scale for small and rural districts. SESA needs to expand its scope of services to include all Alaska school districts. We believe there is nothing in AS 14.30.640 which would prohibit this expansion of services. However, it will take an intentional act on the part of the Board and Administration to make this expansion happen.

In summary, KPBSD supports the concept and model represented by SESA. It offers an effective model of service for small and rural communities. We however, support its continuation only if its services are made available to all Alaskan school districts.

Sincerely,

Donna Peterson, Superintendent  
Superintendent of Schools

Cc: Roger Sampson, Commissioner of Education  
State Board of Education  
Legislative Delegation



*Advocates for Alaska's Youth*

**Position Paper**  
In Support of  
**SB 289**  
**EXTENDING THE SPECIAL EDUCATION SERVICE AGENCY**

Adopted by the membership of the  
Association of Alaska School Boards  
Annual Business Meeting, Nov. 9, 2003.

**Resolution #5.7**

**CONTINUATION AND FUNDING OF THE SPECIAL EDUCATION SERVICE AGENCY**

The Association of Alaska School Boards supports the continuation and full funding of the Special Education Service Agency as identified in AS 14.30.600, including reporting requirements to the Department of Education and Early Development, and therefore supports removal of the Agency from sunset status.

**Rationale.** The Alaska Legislature established the Special Education Service Agency (SESA) for the primary purpose of assisting school districts to provide mandated special education programs for students with low incidence disabilities. Most school districts in Alaska are unable to obtain qualified and experienced personnel to design and support effective educational approaches for affected students. Access to personnel with specialized training and experience is essential if local schools are to provide effective special education to these students in the home district, as required by law.

SESA is the only Alaskan resource offering specialized supports to schools and parents. SESA services have proven to be both educationally effective and fiscally efficient during 17 years of operation. The agency was cited for commendation by the US Office of Education, in a past review of the State's special education system, and receives consistently excellent ratings of satisfaction from service recipients and parents. The most recent performance review of the agency, by the Division of Legislative Audit, strongly supported its current design and operations, and recommended the Legislature consider removing SESA from sunset status. The agency has been reauthorized by the Alaska Legislature four (4) times since 1986, with formal support from school boards, superintendents, teachers, parents, and school districts.

# SESA Outreach Methods by School District

Districts	Web Site	Newsletter	Library	Training	APH	list/Schl	Consul	udent Consu	ideo Consult
Alaska Gateway	.	.	.	.	.	.	.	.	.
Aleutian Region	.	.	.	.	.	.	.	.	.
Aleutians East	.	.	.	.	.	.	.	.	.
Anchorage	.	.	.	.	.	NA	NA	.	.
Annette Island	.	.	.	.	.	.	.	.	.
Bristol Bay	.	.	.	.	.	.	.	.	.
Bering Strait	.	.	.	.	.	.	.	.	.
Chatham	.	.	.	.	.	.	.	.	.
Chugach	.	.	.	.	.	.	.	.	.
Copper River	.	.	.	.	.	.	.	.	.
Cordova	.	.	.	.	.	.	.	.	.
Craig	.	.	.	.	.	.	.	.	.
Delta/Greely	.	.	.	.	.	.	.	.	.
Denali	.	.	.	.	.	.	.	.	.
Dillingham	.	.	.	.	.	.	.	.	.
Fairbanks	.	.	.	.	.	NA	NA	.	.
Galena	.	.	.	.	.	.	.	.	.
Haines	.	.	.	.	.	.	.	.	.
Hoonah	.	.	.	.	.	.	.	.	.
Hydaburg	.	.	.	.	.	.	.	.	.
Iditarod	.	.	.	.	.	.	.	.	.
Juneau	.	.	.	.	.	NA	NA	.	.
Kake	.	.	.	.	.	.	.	.	.
Kashunamiut	.	.	.	.	.	.	.	.	√
Kenai	.	.	.	.	.	NA	NA	.	.
Ketchikan	.	.	.	.	.	.	.	.	.
Klawock	.	.	.	.	.	.	.	.	.
Kodiak	.	.	.	.	.	.	.	.	√
Kuspuk	.	.	.	.	.	.	.	.	.
Lake and Peninsula	.	.	.	.	.	.	.	.	.
Lower Kuskokwim	.	.	.	.	.	X	X	.	.
Lower Yukon	.	.	.	.	.	.	.	.	.
Mal-Su	.	.	.	.	.	NA	NA	.	.
Mt. Edgecumbe	.	.	.	.	.	.	.	.	.
Nenana	.	.	.	.	.	.	.	.	.
Nome	.	.	.	.	.	.	.	.	.
North Slope	.	.	.	.	.	X	X	.	√
Northwest Arctic	.	.	.	.	.	.	.	.	.
Pelican	.	.	.	.	.	.	.	.	.
Petersburg	.	.	.	.	.	.	.	.	.
Pribilof	.	.	.	.	.	.	.	.	.
Sitka	.	.	.	.	.	X	X	.	.
Skagway	.	.	.	.	.	.	.	.	.
Southeast Alaska	.	.	.	.	.	.	.	.	.
St. Mary's	.	.	.	.	.	.	.	.	.
Southwest Region	.	.	.	.	.	.	.	.	.
Tanana	.	.	.	.	.	.	.	.	.
Unalaska	.	.	.	.	.	.	.	.	.
Valdez	.	.	.	.	.	.	.	.	.
Wrangell	.	.	.	.	.	.	.	.	.
Yakutat	.	.	.	.	.	.	.	.	.
Yukon Flats	.	.	.	.	.	.	.	.	.
Yukon/Koyukuk	.	.	.	.	.	.	.	.	.
Yupik	.	.	.	.	.	.	.	.	√

now provided or available √ = pending X = varies w/disability NA = not provided

provided by Sen. Green 2/27/04

**Student-Specific Consultations Caseload Count**  
**FY 2004 - 2nd Quarter**

<i>Districts</i>	<i>AUT</i>	<i>AT</i>	<i>CEEHI</i>	<i>DSI</i>	<i>ED</i>	<i>HI</i>	<i>MD</i>	<i>VI</i>	<i>VISIT</i>	<i>Total</i>	<i>Ave. SS onsite*</i>
AK Gateway		1				2	4			7	\$36,400
Aleutian Region										0	\$0
Aleutians East					2	1			1	4	\$20,800
Anchorage			4	8					9	21	\$109,200
Annette Island						1				1	\$5,200
Bristol Bay		1			2		1			4	\$20,800
Bering Strait	2				2	2	6	1		13	\$67,600
Chatham							2	1		3	\$15,600
Copper River							1			1	\$5,200
Cordova	2				1		4	2		9	\$46,800
Craig	2	1	1	1	5	2	3			15	\$78,000
Delta/Greely	2				1	1				4	\$20,800
Denali	1				1			1		3	\$15,600
Dillingham	2					4	4	2		12	\$62,400
Fairbanks		1	1	3					4	9	\$46,800
Galena							1			1	\$5,200
Haines	2	1		1			2	2		8	\$41,600
Hoonah	1						1			2	\$10,400
Hydaburg				1						1	\$5,200
Iditarod										0	\$0
Juneau				2						2	\$10,400
Kake	1						1	1		3	\$15,600
Kashunamiut							3	1		4	\$20,800
Kenai				1					2	3	\$15,600
Ketchikan	2	5	1			7	4	4		23	\$119,600
Klawock	1								1	2	\$10,400
Kodiak	1	3				2	4	4	2	16	\$83,200
Kuspuk						1				1	\$5,200
Lake and Penn	2				2					4	\$20,800
Lower Kuskokwim	1	4		1						6	\$31,200
Lower Yukon			1				4	1	1	7	\$36,400
Mat-Su			2	3					2	7	\$36,400
Mt. Edgecumbe										0	\$0
Nenana										0	\$0
Nome				1	1					2	\$10,400
North Slope								2	1	3	\$15,600
NWASD						1	6	4		11	\$57,200
Pelican	1									1	\$5,200
Petersburg	4				1					5	\$26,000
Pribilof							1			1	\$5,200
Sitka					2	1	2			5	\$26,000
Skagway					1					1	\$5,200
Southeast Island										0	\$0
St. Mary's					1		1			2	\$10,400
SW Region	1						1	2		4	\$20,800
Unalaska	2	1								3	\$15,600
Valdez	2	1					5			8	\$41,600
Wrangell	1				1		1			3	\$15,600
Yakutat							2			2	\$10,400
Yukon Flats	2							1		3	\$15,600
Yukon/Koyukuk							1			1	\$5,200
Yupit				1	2		2	2		7	\$36,400
<b>TOTALS:</b>	<b>35</b>	<b>19</b>	<b>10</b>	<b>23</b>	<b>25</b>	<b>25</b>	<b>67</b>	<b>31</b>	<b>23</b>	<b>258</b>	<b>\$1,341,600</b>

\*Cost estimates assume ave. 2 trips yearly at ave. \$2 600 per trip. Actual trips/costs vary greatly from district to district.

Prepared by SESA

# Audit Report

---

---

DEPARTMENT OF EDUCATION  
AND EARLY DEVELOPMENT  
SPECIAL EDUCATION SERVICE AGENCY  
SUNSET REVIEW

---

---

December 18, 2003



Audit Control Number:

05-20026-04

Division of Legislative Audit

P.O. Box 113300, Juneau, Alaska 99811-3300

# LEGISLATIVE BUDGET AND AUDIT COMMITTEE

---

## DIVISION OF LEGISLATIVE AUDIT

The Legislative Budget and Audit Committee is a permanent interim committee of the Alaska Legislature. The committee is made up of five senators and five representatives, with one alternate from the Senate and two from the House. The chairmanship of the committee alternates between the two chambers every legislature.

The committee is responsible for providing the legislature with audits of state government agencies. The programs and activities of state government now cost more than \$6 billion a year. As legislators and administrators try increasingly to allocate state revenues effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by the Division of Legislative Audit helps provide that information.

As a guide to all their work, the Division of Legislative Audit complies with generally accepted auditing standards established by the American Institute of Certified Public Accountants and with government auditing standards established by the U.S. General Accounting Office.

Audits are performed as mandated by Alaska Statutes or at the direction of the Legislative Budget and Audit Committee. Individual legislators or committees can submit requests for audits of specific programs or agencies to the committee for consideration. Copies of all completed audits are available from the Division of Legislative Audit's offices in Juneau, Anchorage, or at our web site <http://www.legaudit.state.ak.us/>

### BUDGET AND AUDIT COMMITTEE

**Representative Ralph Samuels, Chair**  
**Representative Mike Hawker**  
**Representative Beth Kerttula**  
**Representative Vic Kohring**  
**Representative Mike Chenault**  
**Representative Reggie Joule (alternate)**

**Senator Gene Therriault, Vice Chair**  
**Senator Ben Stevens**  
**Senator Gary Wilken**  
**Senator Con Bunde**  
**Senator Lyman Hoffman**  
**Senator Lyda Green (alternate)**

### DIVISION OF LEGISLATIVE AUDIT

**Pat Davidson, CPA**  
**Legislative Auditor**

**P.O. Box 113300**  
**Juneau, AK 99811-3300**

**(907)465-3830, Juneau**  
**(907)561-1445, Anchorage**  
**(907)465-2347, Juneau Fax**  
**(907)561-1452 Anchorage Fax**

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 2/2/04

FURTHER: Finance

Date of 5-Day Notice: 2/5/04  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2-10-04

Health, Education and Social Services Committee considered

SENATE BILL NO. 289

### SB 289 EXTENDING THE SPECIAL ED SERVICE AGENCY

"An Act extending the termination date of the special education service agency; 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 Change
- New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
EED	2/7			✓	1

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Green <i>[Signature]</i>	✓			
Wilken <i>[Signature]</i>	✓			
Dyson CHAIR: <i>[Signature]</i>	✓			

SENATE FINANCE COMMITTEE

SIGN-IN

SB 289-EXTENDING THE SPECIAL ED SERVICE AGENCY

NAME: Chris Robinson Subject/Bill No: SB 289  
Co./Dept./Title: Special Education Service Agency Phone: 562 7372  
Address: 2217 E Tudor Rd Ste 1 Avc ~~995~~ Zip: 99507  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: Pat Davidson Subject/Bill No: SB 289  
Co./Dept./Title: Leg Audit Phone: 53830  
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



**SB**

**291**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 291  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title Unstamped Cigarettes RDU Revenue Programs & Services  
Component Tax Division  
Sponsor Senate Labor and Commerce  
Requester Senate Labor and Commerce Component No. 2476

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

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

**Transition Period for Unstamped Cigarettes - Bill Analysis**

Bill Language: This bill will extend the transition period for selling unstamped cigarettes that were in the state prior to January 1, 2004 from March 31, 2004 to June 30, 2004. Due to a recent change in cigarette manufacturers' returned goods policies, cigarette distributors and retailers may not return their unstamped inventory of cigarettes to the manufacturers. At the time cigarette tax stamp legislation was introduced and passed, cigarette manufacturers had a very liberal returned goods policy. Based on those policies and experiences of other states, a 90-day transition period was an adequate amount of time to either sell cigarettes to the end user or return the cigarettes to the manufacturer. Since manufacturers will no longer (cont. on page 2)

Prepared by: Johanna Baies Phone 269-6628  
Division: Tax Division Date/Time 2/9/04 1:10 PM  
Approved by: Steve Potter, Deputy Commissioner Date 2/9/2004  
Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. SB291

ANALYSIS CONTINUATION

accept returns of cigarettes, the transition period for selling cigarettes to the end user needs to be extended to June 30, 2004 to reduce potential hardship on small businesses throughout the state. The Tax Division anticipates no change to cigarette tax revenues due to this legislation as it only applies to previously taxed cigarettes. Cigarettes imported into the state after December 31, 2003 must be affixed with a cigarette tax stamp as proof that the cigarette excise tax has been paid.

# Alaska State Legislature

*DURING SESSION*  
STATE CAPITOL  
JUNEAU, AK 99801-1182  
(907) 465-4843 (800) 892-4843  
FAX: (907) 465-3871

*WEB SITE*  
[www.akrepublicans.org/Bunde](http://www.akrepublicans.org/Bunde)



*DURING INTERIM*  
716 W. FOURTH AVE.  
ANCHORAGE, AK 99501-2133  
(907) 269-0181  
FAX: (907) 269-0184

*E-MAIL*  
[Senator.Con.Bunde@legis.state.ak.us](mailto: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

Last session the legislature passed SB 168 which required that cigarette tax stamps be affixed to all packages of cigarettes in the state of Alaska. SB 168 was signed into law on June 16, 2004. The bill's effective date for affixing cigarette tax stamps was January 1, 2004. SB 168 contained transition language that allowed distributors and retailers to sell unstamped cigarettes that were in the state prior to January 1, 2004 to the end user by March 31, 2004. Based on data from the state of Hawaii, (the most recent state to enact a tax stamp requirement), it was deemed that 90 days was adequate time to dispose of unstamped cigarettes. That timeframe also seemed adequate because the cigarette manufacturers had a very liberal returned goods policy. Basically, the manufacturers would take back any and all cigarettes for whatever reason from all retailers and distributors.

But that friendly return policy shifted between July 2003 and October 2003, when the three largest cigarette manufacturers, Philip Morris, R.J. Reynolds, and Brown & Williamson, announced significant changes to their returned goods policies. They announced that they would no longer take any cigarettes back except in very limited circumstances. What used to be a very liberal returned-goods policy, basically became a "no returned-goods" policy. Therefore, on January 1, 2004, Alaska distributors and retailers could not simply return their unstamped cigarettes to the manufacturers as previously allowed.

The Department of Revenue contacted both Philip Morris and RJ Reynolds and requested that they extend their old returned goods policy and allow distributors and retailers in Alaska to return cigarettes for a full credit. This would have allowed the department the authority to give a credit for previously taxed cigarettes. Distributors and retailers could then repurchase cigarettes and tax stamps. The manufacturers refused to change their return goods policy.

Due to the change in the manufacturers' returned-goods policies, it is apparent that Alaska businesses need more than 90 days to dispose of their cigarette inventories that were in the state prior to January 1, 2004. This legislation would extend the transition period to June 30, 2004, giving retailers and distributors an additional 90 days to dispose of unstamped cigarettes. In addition, the Department of Revenue will continue to request that the manufacturers loosen their returned goods policy at least for distributors so that all cigarettes they sell to retailers will be affixed with tax stamps as soon as possible.

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110400  
JUNEAU, ALASKA 99811-0400  
TELEPHONE: (907) 465-2300  
FACSIMILE: (907) 465-2389

February 9, 2004

The Honorable Con Bunde  
Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

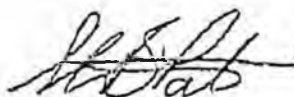
Dear Senator Bunde:

This letter is to inform you of the Department of Revenue's support of Senate Bill 291. This bill will extend the transition period for selling unstamped cigarettes that were in the state prior to January 1, 2004 from March 31, 2004 to June 30, 2004. At the time cigarette tax stamp legislation was passed, the major cigarette manufacturers had very lenient returned goods policies. Basically, cigarettes could be returned to the manufacturer by distributors and retailers for virtually any reason. Beginning in July 2003, the manufacturers severely restricted their returned goods policies and will only accept cigarette returns in very limited circumstances.

The Department of Revenue has received approximately 50 calls from distributors and retailers across the state regarding the March 31, 2004 deadline to have all cigarettes bear a tax stamp. These businesses believe they will not be able to sell their unstamped product, product that was in the state prior to January 1, 2004, to the ultimate consumer by the deadline. Since they can no longer return the cigarettes to the manufacturer, they will have to destroy product upon which the Alaska cigarette tax has already been paid in order to be in compliance with the new law.

The Department believes that extending the stamp deadline from March 31, 2004 to June 30, 2004, as proposed in SB 291, is needed so that small businesses across the state will not be penalized by a change in state statute coupled with a change in the returned goods policies of major manufacturers. Therefore, the Department of Revenue supports the language of SB 291.

Sincerely,



Steven B. Porter  
Deputy Commissioner



Senator Con Bunde  
Alaska Senate  
State Capitol, Room 506  
Juneau, AK 99801

February 7, 2004

RE: SB 291 Deadline extension for possessing unstamped cigarettes

Dear Senator Bunde:

My name is Mike Elerding, president and owner of an Alaska based wholesale distribution company. I would like to speak in favor of SB 291, which solves a unique and specific timing problem created as a result of the change in State law that took effect at the start of this year.

Last year Northern Sales Company of Alaska, Inc. supported and worked with you towards the passage of SB 168, which provides for the collection of Alaska excise tax on cigarettes through the implementation of an Alaska tobacco tax stamp on cigarettes sold in Alaska.

Prior to passage of SB 168, compliance with State law required licensed wholesalers to collect and remit state excise tax to the State based on the filing of a monthly report. After 1/1/04 (the effective date of SB 168), compliance with state law requires that all cigarettes imported into the state carry an Alaska tobacco stamp to show that the State excise tax has been collected. The problem is in the transitioning – when wholesale and retail trade inventories contain a mixture of stamped and unstamped product.

State law does not provide licensed wholesalers with a mechanism to stamp unstamped cigarettes that were imported and paid the state excise tax prior to 1/1/04. SB168 was based on an expectation that wholesale trade would be able to sell-through unstamped inventory prior a 3/31/04 transition deadline for the possession of unstamped product. The reality is that the sell-through of unstamped cigarettes at the wholesale level is taking longer than expected. Retailers are reluctant to buy unstamped product because possession of unstamped cigarettes after 3/31/04 is a violation of state law with significant financial penalties. As the deadline approaches retailers are becoming more reluctant to purchase unstamped cigarettes because they will not be able to sell-through this product, which compounds the problem.

The transition from unstamped to stamped inventory creates a unique problem for the retail trade. State law properly prohibits selling cigarettes below cost to dispose of distressed inventory. In addition, because the retail trade does not collect or remit the excise tax there is no mechanism for the state to credit the retail trade for a tax it does not collect. The end result is that retailers with any unstamped cigarettes after 3/31/04 will be guilty of misconduct involving unstamped cigarettes, which is a class C felony.

The legislation creating the tobacco tax stamp is good for Alaska because it provides greater assurance that the excise tax will be collected on all cigarettes imported into the state and it will reduce the sale of cigarettes through black market distribution channels. However, Alaska licensed wholesalers and retailers need some relief from the 3/31/04 deadline. SB 291 helps extend a reasonable transition period for the State of Alaska to fully implement the cigarette-stamping program.

Sincerely yours,

Michael J. Elerding

# L & J ENTERPRISES, INC.

---

THREE BEARS

P.O. Box 189  
Tok, Alaska 99780  
(907) 883-4324  
FAX (907) 883-4238

February 9, 2004

The Honorable Con Bunde  
State Capitol Room 506  
Juneau, AK 99801-1182

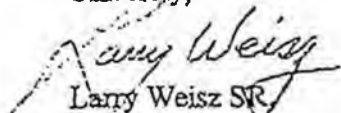
Dear Senator:

I was told today that you are going to introduce SB291. Thank you, Thank you. I am the owner of five retail stores in Alaska. With out this bill we will have to destroy thousands of dollars in tobacco product.

I have no problem with the old bill, only the way it was written. The real problem is the supplier is still sending unstamped product and this could go on until March 31, 2004. If the suppliers, cutoff date was March 31, 2004 and the retailer June 30, 2004 this would work.

Thank you in advance for your bill.

Sincerely,

  
Larry Weisz SR  
President

THREE BEARS ALASKA  
TOK VALDEZ SEWARD KENAI

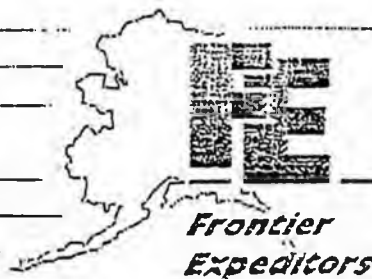


6401 A Street • Anchorage, Alaska 99518

Sen. Bunde

I Writing This Memo In Support Of HB 291. As A Tobacco Retailer The Time Line Set By The State Of Alaska Pertaining To Selling Unstamped Cigarettes After April 1st. I Find The Deadline To Be Insufficient Considering The Confusion At The Dept. Of Revenue In Regards To Issuing Of The Stamps To The Wholesalers. And Additionally, How The Retailer Will Be Protected If The Unstamped Cigarettes Aren't Sold By The Stated Deadline. Because Of The High Cost Of Goods This Would Cause A Financial Hardship To Many Retailers Across The State If They Were Forced To Absorb This Lost Revenue. Thanks For Taking This Matter Into Consideration.

Respectfully  
Richard Watts  
General Manager  
Great Alaska Tobacco



**Frontier Expeditors**  
355 East 76th Avenue, Suite 102  
Anchorage, Alaska 99518  
907-868-4500 - 800-478-4484  
Fax 907-868-1633

February 9, 2004

Senator Con Bunde  
Alaska Senate  
State Capitol -- Room 506  
Juneau AK 99801

Dear Senator Bunde:

I am writing to provide written testimony in favor of SB 291 which provides for an extension of the March 31<sup>st</sup> deadline for the possession of unstamped cigarettes originally established in SB 168.

The 90 day transition timeline provided in SB 168 has proven inadequate to move taxed but unstamped product through the retail pipeline. Our company owns 25 retail stores in Rural Alaska that operate under the Alaska Commercial Company banner and has a wholesale relationship with over 100 small independent retailers throughout Rural Alaska. These retailers face a very real and unnecessary financial and legal exposure if relief, in the form of SB 291 is not provided. I am attaching examples provided by two of our smaller company owned stores as well as a store list to give you an idea of the potential magnitude of the problem.

We support SB 291 and believe that a June 30<sup>th</sup> deadline will give retail the necessary time to move unstamped product through the pipeline. January and February are our two slowest months at retail plus all stores take annual inventory in January requiring stocks to be at lowest possible levels.

Thank you for your time and consideration regarding this issue. I would be happy to provide any additional information at your request.

Sincerely,

A handwritten signature in cursive script that reads 'Bob Galosich'. The signature is written in dark ink and is positioned above the typed name.

Bob Galosich  
Vice President of Wholesale Operations  
Frontier Expeditors

Bob Galosich

---

From: Ft. Yukon  
Sent: Friday, February 05, 2004 10:40 AM  
To: Bob Galosich  
Cc: Gary Long; Walt Pickett  
Subject: tobacco products

Morning Bob.

I have a few items in my store I'm not sure will sell by June. that are not stamped. I have gone through my inventory and came up with a few cigarette's and snuff (I don't know if that's included or not. I'm assuming so since it's tobacco.) that we probably will not sell before June.

Here's the list:

Kodiak chew 18 rolls (I don't believe we have sold this since we got here.)

Copenhagen long cut 2 rolls

Salem lights 16 cartons (I believe who ever smoked these moved because we haven't sold any in a long time.)

Newports 10 cartons

Basic Lights 100's 16 cartons

GPC Lights 17 cartons

Marlboro Mediums 13 cartons.

Thanks for any help you can be. Stevi

**Bob Galosich**

---

From: Gary Long  
 Sent: Friday, February 06, 2004 2:32 PM  
 To: Bob Galosich  
 Cc: Walt Pickett  
 Subject: FW: Tobacco

Bob,  
 FYI  
 Gary Long

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

From: Unalakleet  
 Sent: Friday, February 06, 2004 12:17 PM  
 To: Walt Pickett  
 Cc: Gary Long  
 Subject: Tobacco

Wall

Below is a list of tobacco cartons that I'm carrying without the tax stamp. The line marked problem are the products that I'm worried about moving before the June dead line.

<i>Brand</i>	<i>Qty on hand</i>	<i>Problem</i>
Mar. Ultra Light 100s	1	
Mar. Ultra Light Kings	3	2
Mar. Blend 27 Kings	2	1
Mar. Blend 27 King Box	2	1
Mar. 25 Box	5	
Mar. Med Box	8	
Mar. Light 100s	4	
Mar. Kings	21	
Mar. King Box	19	
Cam. non filter	2	1
Cam. Light King		8
Cam. Light Box	5	
Basic Light 100s	2	2
Basic Light King		6
Winston King	12	5
Winston King Box	1	
Winston Light 100s	16	8
Virginia Slims Light	2	2
Kool Kings	1	
Merit ultra Light Kings	3	2
Merit Light Kings	15	14
Lucky Strike	5	5
Salem King	10	9
Salem King Light	13	12

These are the same problem ones that I pointed out to you when you were here, which I got stuck with from Terry. Any help we can get would be greatly appreciated.

Thanks Lee

ALASKA COMMERCIAL COMPANY BRANCH LIST -September 2, 2003

ALASKA COMMERCIAL COMPANY CORPORATE OFFICES/BILLING 500 WEST 94TH AVENUE, SUITE 100 ANCHORAGE, AK 99518-1720	907-273-4600 AC# 416 907-273-4200 FAX 907-273-9773 907-273-4804 FE# 14020 907-273-4841 FRONTIER	JERRY BITTNER..... PRESIDENT FRANCHISE MANAGER HARDWARE MANAGER FRONTIER	GRANDY MANAGER SOUTHWEST MANAGER	NORTH MANAGER BAKERY/CELLI MANAGER	ROCKY MANAGER MARINA MANAGER	TELE MANAGER RECEIVING MANAGER
ALASKA COMMERCIAL COMPANY ANCHORAGE PROCESSING CENTER 6135 MAIN STREET ANCHORAGE, AK 99518	907-562-5550 FAX AC# 125 907-562-4321 907-562-5550	ROCKY FERRICHS JO CHOMPERS				
ANILAK, AK 99557-6928 AC VALUE CENTER P.O. BOX 109 125 MAIN STREET	FE# 14602 907-562-4225 FAX SD 125 AC# 115 907-562-5711 907-562-4225 907-562-0194 907-562-4225	DARY JETICH RICK BOLDRAN	LEE LYNN ROS BOLDRAN	BRUCE FERRICHS MANOUE ALZAMANA	SCOTT BARNES	JILL BROWN BILLY FAYNE
BARROW, AK 99723-0029 AC QUICKSTOP P.O. BOX 1851 1070 45TH STREET	FE# 14616 907-852-5711 FAX SD 115 AC# 355 907-852-4651 907-852-5711	DAVID BEXTEL				
BARROW, AK 99723-0029 AC VALUE CENTER P.O. BOX 315 135 RIDGECREST STREET	FE# 14642 907-852-4651 FAX SD 335 AC# 135 907-852-4651 907-852-4651	DAVID HICKS DARRYL MICHAEL MICHAEL TEREPEDON	DEBBIE HENSON BRINDA GILBERT	ELL SWELL TERRY COLLEMAN/NATHAN MOORE	LOUIS CORREIA	BARBARA MATHIAS SHELE COMPTON
BETHEL, AK 99551-0278 AC EXPRESS - BELLS FLATS 11112 BEZANCOFF DR. W. WEST BETHEL, AK 99552	FE# 14603 907-845-4121 FAX SD 135 AC# 535 907-845-2117 907-845-4121	STEVE KREBER				
CORDOVA, AK 99574-0130 AC VALUE CENTER P.O. BOX 180 108 WOODLUFF WAY	FE# 14624 907-424-7155 FAX SD 115 AC# 235 907-424-7115 907-424-7155	DENNIS ROSE VIVI SILVEIRA	CARL JOHNSON MIMI SILVEIRA	GUY STRONG JAY COOK/STU	BOB GILBERT	FORNUS OLSON KAT-LEEN GRWETZ
CORDOVA, AK 99574-0130 AC VALUE CENTER P.O. BOX 420 285 MAIN STREET	FE# 14604 907-424-7115 FAX SD 335 AC# 295 907-424-5444 907-424-7115 907-424-5444 WAFS 907-424-2373 WAFS	ROB BARLAK BOB MOENZIE	ELL BAUER ARRIE COORDIAN	JOHN SEEMAN	TIMMY DASH	KATHY ANDERSON SHIRLEY EBERLE
DILLINGHAM, AK 99575-0217 AC VALUE CENTER P.O. BOX 921131 500 SALMON WAY	FE# 14618 907-542-2423 FAX SD 295 AC# 245 907-542-2423 907-542-2423	JOHN SCHNAUBERT CHRISTINE MAGNANAY	CHRISTINE MAGNANAY	CHRISTINE MAGNANAY	CHRISTINE MAGNANAY	CHRISTINE MAGNANAY
DUTCH HARBOR, AK 99582-0029 AC VALUE CENTER P.O. BOX 109 245 MAIN STREET	FE# 14605 907-542-2423 FAX SD 245 AC# 345 907-542-2423 907-542-2423	RUE SAUNDERS				
EMMONS, AK 99541-0029 AC VALUE CENTER P.O. BOX 29 155 MAIN STREET	FE# 14606 907-542-2423 FAX SD 345 AC# 355 907-542-2423 907-542-2423	STEVE NEHLS	MAINE BERGMAN			AGRETTA EBLE MAINE BERGMAN
FORT YUKON, AK 99704 HOOPER BAY NATIVE STORE GENERAL DELIVERY P.O. BOX 109	FE# 14607 907-562-4225 FAX SD 155 AC# 375 907-562-4225 907-562-4225	JOHN OLSON				JOHN OLSON MILLIE HALL
HOOPER BAY, AK 99704 SEA LION RETAIL STORE GENERAL DELIVERY P.O. BOX 109	FE# 14634 907-562-4225 FAX SD 375 AC# 385 907-562-4225 907-562-4225	JOHN OLSON SHERYL BERNSTEN				JOHN OLSON JOHN OLSON
HOOPER BAY, AK 99704 AC VALUE CENTER P.O. BOX 145 1 PAYNE DRIVE	FE# 14630 907-562-4225 FAX SD 385 AC# 325 907-562-4225 907-562-4225	SARAH LAMM LEE LAMM/ARST B. STAGE DERRICK BELL				
KING COVE, AK 99512	FE# 14619 907-424-7115 FAX SD 325					

02/05/2004 13:08 FAX

F. Outler Expeditors

005/008



**SB**

**291**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/11/04

FURTHER:

FEB 23 2004

DATE TURNED  
IN TO OFFICE: 2/23/04

Finance Committee considered

SENATE BILL NO. 291

## SB 291 UNSTAMPED CIGARETTES

"An Act extending the transition period for activities involving unstamped cigarettes; 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 Change  
 New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	Indet.	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
Rev	2/9/04			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	No REC	AMEND
<i>C. Bunde</i>	✓			
<i>Ben Stewart</i>	✓			
COCHAIR: <i>Lynne Green</i>	✓			
COCHAIR: <i>Gary Wilson</i>	✓			

# FISCAL NOTE

FEB 23 2004

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
Bill Version: SB 291  
(S) Publish Date: 2/11/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title Unstamped Cigarettes RDU Revenue Programs & Services  
Component Tax Division  
Sponsor Senate Labor and Commerce  
Requester Senate Labor and Commerce Component No. 2476

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

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

**Transition Period for Unstamped Cigarettes - Bill Analysis**

Bill Language: This bill will extend the transition period for selling unstamped cigarettes that were in the state prior to January 1, 2004 from March 31, 2004 to June 30, 2004. Due to a recent change in cigarette manufacturers' returned goods policies, cigarette distributors and retailers may not return their unstamped inventory of cigarettes to the manufacturers. At the time cigarette tax stamp legislation was introduced and passed, cigarette manufacturers had a very liberal returned goods policy. Based on those policies and experiences of other states, a 90-day transition period was an adequate amount of time to either sell cigarettes to the end user or return the cigarettes to the manufacturer. Since manufacturers will no longer (cont. on page 2)

Prepared by: Johanna Bales Phone 269-6628  
Division Tax Division Date/Time 2/9/04 1:10 PM  
Approved by: Steve Porter, Deputy Commissioner Date 2/9/2004  
Agency Department of Revenue

FISCAL NOTE #1

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. SB 291

ANALYSIS CONTINUATION

accept returns of cigarettes, the transition period for selling cigarettes to the end user needs to be extended to June 30, 2004 to reduce potential hardship on small businesses throughout the state. The Tax Division anticipates no change to cigarette tax revenues due to this legislation as it only applies to previously taxed cigarettes. Cigarettes imported into the state after December 31, 2003 must be affixed with a cigarette tax stamp as proof that the cigarette excise tax has been paid.

# Alaska State Legislature

DURING SESSION  
STATE CAPITOL  
JUNEAU, AK 99801-1182  
(907) 465-4843 (800) 892-4843  
FAX: (907) 465-3871

WEB SITE  
[www.akrepublicans.org/Bunde](http://www.akrepublicans.org/Bunde)

DURING INTERIM  
716 W. FOURTH AVE.  
ANCHORAGE, AK 99501-2133  
(907) 269-0181  
FAX: (907) 269-0184

E-MAIL  
[Senator.Con.Bunde@legis.state.ak.us](mailto: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

Last session the legislature passed SB 168 which required that cigarette tax stamps be affixed to all packages of cigarettes in the state of Alaska. SB 168 was signed into law on June 16, 2004. The bill's effective date for affixing cigarette tax stamps was January 1, 2004. SB 168 contained transition language that allowed distributors and retailers to sell unstamped cigarettes that were in the state prior to January 1, 2004 to the end user by March 31, 2004. Based on data from the state of Hawaii, (the most recent state to enact a tax stamp requirement), it was deemed that 90 days was adequate time to dispose of unstamped cigarettes. That timeframe also seemed adequate because the cigarette manufacturers had a very liberal returned goods policy. Basically, the manufacturers would take back any and all cigarettes for whatever reason from all retailers and distributors.

But that friendly return policy shifted between July 2003 and October 2003, when the three largest cigarette manufacturers, Philip Morris, R.J. Reynolds, and Brown & Williamson, announced significant changes to their returned goods policies. They announced that they would no longer take any cigarettes back except in very limited circumstances. What used to be a very liberal returned-goods policy, basically became a "no returned-goods" policy. Therefore, on January 1, 2004, Alaska distributors and retailers could not simply return their unstamped cigarettes to the manufacturers as previously allowed.

The Department of Revenue contacted both Philip Morris and RJ Reynolds and requested that they extend their old returned goods policy and allow distributors and retailers in Alaska to return cigarettes for a full credit. This would have allowed the department the authority to give a credit for previously taxed cigarettes. Distributors and retailers could then repurchase cigarettes and tax stamps. The manufacturers refused to change their return goods policy.

Due to the change in the manufacturers' returned-goods policies, it is apparent that Alaska businesses need more than 90 days to dispose of their cigarette inventories that were in the state prior to January 1, 2004. This legislation would extend the transition period to June 30, 2004, giving retailers and distributors an additional 90 days to dispose of unstamped cigarettes. In addition, the Department of Revenue will continue to request that the manufacturers loosen their returned goods policy at least for distributors so that all cigarettes they sell to retailers will be affixed with tax stamps as soon as possible.

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110400  
JUNEAU, ALASKA 99811-0400  
TELEPHONE: (907) 465-2300  
FACSIMILE: (907) 465-2389

February 9, 2004

The Honorable Con Bunde  
Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

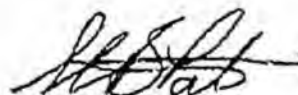
Dear Senator Bunde:

This letter is to inform you of the Department of Revenue's support of Senate Bill 291. This bill will extend the transition period for selling unstamped cigarettes that were in the state prior to January 1, 2004 from March 31, 2004 to June 30, 2004. At the time cigarette tax stamp legislation was passed, the major cigarette manufacturers had very lenient returned goods policies. Basically, cigarettes could be returned to the manufacturer by distributors and retailers for virtually any reason. Beginning in July 2003, the manufacturers severely restricted their returned goods policies and will only accept cigarette returns in very limited circumstances.

The Department of Revenue has received approximately 50 calls from distributors and retailers across the state regarding the March 31, 2004 deadline to have all cigarettes bear a tax stamp. These businesses believe they will not be able to sell their unstamped product, product that was in the state prior to January 1, 2004, to the ultimate consumer by the deadline. Since they can no longer return the cigarettes to the manufacturer, they will have to destroy product upon which the Alaska cigarette tax has already been paid in order to be in compliance with the new law.

The Department believes that extending the stamp deadline from March 31, 2004 to June 30, 2004, as proposed in SB 291, is needed so that small businesses across the state will not be penalized by a change in state statute coupled with a change in the returned goods policies of major manufacturers. Therefore, the Department of Revenue supports the language of SB 291.

Sincerely,



Steven B. Porter  
Deputy Commissioner



Corporate  
P.O. Box 8112, Ketchikan, AK 99901  
(907) 225-8041 (907) 225-2231 fax

Senator Con Bunde  
Alaska Senate  
State Capitol, Room 506  
Juneau, AK 99801

February 7, 2004

RE: SB 291 Deadline extension for possessing unstamped cigarettes

Dear Senator Bunde:

My name is Mike Elerding, president and owner of an Alaska based wholesale distribution company. I would like to speak in favor of SB 291, which solves a unique and specific timing problem created as a result of the change in State law that took effect at the start of this year.

Last year Northern Sales Company of Alaska, Inc. supported and worked with you towards the passage of SB 168, which provides for the collection of Alaska excise tax on cigarettes through the implementation of an Alaska tobacco tax stamp on cigarettes sold in Alaska.

Prior to passage of SB 168, compliance with State law required licensed wholesalers to collect and remit state excise tax to the State based on the filing of a monthly report. After 1/1/04 (the effective date of SB 168), compliance with state law requires that all cigarettes imported into the state carry an Alaska tobacco stamp to show that the State excise tax has been collected. The problem is in the transitioning – when wholesale and retail trade inventories contain a mixture of stamped and unstamped product.

State law does not provide licensed wholesalers with a mechanism to stamp unstamped cigarettes that were imported and paid the state excise tax prior to 1/1/04. SB168 was based on an expectation that wholesale trade would be able to sell-through unstamped inventory prior a 3/31/04 transition deadline for the possession of unstamped product. The reality is that the sell-through of unstamped cigarettes at the wholesale level is taking longer than expected. Retailers are reluctant to buy unstamped product because possession of unstamped cigarettes after 3/31/04 is a violation of state law with significant financial penalties. As the deadline approaches retailers are becoming more reluctant to purchase unstamped cigarettes because they will not be able to sell-through this product, which compounds the problem.

The transition from unstamped to stamped inventory creates a unique problem for the retail trade. State law properly prohibits selling cigarettes below cost to dispose of distressed inventory. In addition, because the retail trade does not collect or remit the excise tax there is no mechanism for the state to credit the retail trade for a tax it does not collect. The end result is that retailers with any unstamped cigarettes after 3/31/04 will be guilty of misconduct involving unstamped cigarettes, which is a class C felony.

The legislation creating the tobacco tax stamp is good for Alaska because it provides greater assurance that the excise tax will be collected on all cigarettes imported into the state and it will reduce the sale of cigarettes through black market distribution channels. However, Alaska licensed wholesalers and retailers need some relief from the 3/31/04 deadline. SB 291 helps extend a reasonable transition period for the State of Alaska to fully implement the cigarette-stamping program.

Sincerely yours,

Michael J. Elerding

**Subject: sb291**

**Date: Fri, 6 Feb 2004 08:38:38 -0900**

**From: "Bobby Scott" <bobbyscott@acsalaska.net>**

**To: <Jane\_alberts@legis.state.ak.us>**

Good Morning Jane

I work for Jan's distributing here in Anchorage. We service all of Anchorage, Wasilla, Fairbanks and the Kenai area. We are in favor of extending the transition period for unstamped cigarettes. Extending until June will give us and the retailer more time to get through our unstamped inventory. If you have any questions please call me at 243-5267.

Thanks

Bobby Scott

Jan's Distributing

**Subject: FW: SB 291**

**Date:** Thu, 5 Feb 2004 17:58:22 -0600

**From:** Bob Galosich <bgalosich@northwest.ca>

**To:** "Jane\_Alberts@Legis.state.ak.us" <Jane\_Alberts@Legis.state.ak.us>

**CC:** Gary Long <GLong@northwest.ca>, "johanna\_bales@revenue.state.ak.us" <johanna\_bales@revenue.state.ak.us>

Jane,

Per Johanna's e-mail below, Frontier Expeditors and Alaska Commercial Company support Senator Bundy's legislation. Our 25 retail stores in Rural Alaska would not be able to sell the slower moving unstamped product by March 31st. We appreciate your office's assistance in this matter.

Bob Galosich  
Vice President of Wholesale Operations  
Alaska Commercial Company  
907-868-4505  
bgalosich@northwest.ca

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

**From:** Johanna Bales [[mailto:johanna\\_bales@revenue.state.ak.us](mailto:johanna_bales@revenue.state.ak.us)]

**Sent:** Thursday, February 05, 2004 2:35 PM

**To:** Bob Galosich

**Subject:** SB 291

Bob,

Senator Bunde has introduced legislation to extend the transition period for unstamped cigarettes from March 31, 2004 to June 30, 2004. If you support this legislation, please provide a support statement to Senator Bunde's aid, Jane Alberts via email. Her email address is:

Jane\_Alberts@Legis.state.ak.us

Thanks.

Johanna Bales

# L & J ENTERPRISES, INC.

THREE BEARS

P.O. Box 189  
Tok, Alaska 99780  
(907) 883-4324  
FAX (907) 883-4238

February 9, 2004

The Honorable Con Bunde  
State Capitol Room 506  
Juneau, AK 99801-1182

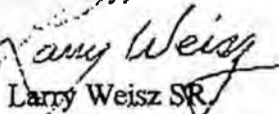
Dear Senator:

I was told today that you are going to introduce SB291. Thank you, Thank you. I am the owner of five retail stores in Alaska. With out this bill we will have to destroy thousands of dollars in tobacco product.

I have no problem with the old bill, only the way it was written. The real problem is the supplier is still sending unstamped product and this could go on until March 31, 2004. If the suppliers, cutoff date was March 31, 2004 and the retailer June 30, 2004 this would work.

Thank you in advance for your bill.

Sincerely,

  
Larry Weisz SR.  
President

THREE BEARS ALASKA  
TOK VALDEZ SEWARD KENAI

**CARRS**  
QUALITY CENTERS  
A SAFEWAY COMPANY

6401 A Street • Anchorage, Alaska 99518

Sen. Bunde

I Writing This Memo In Support Of HB 291. As A Tobacco Retailer The Time Line Set By The State Of Alaska Pertaining To Selling Unstamped Cigarettes After April 1st. I Find The Deadline To Be Insufficient Considering The Confusion At The Dept. Of Revenue In Regards To Issuing Of The Stamps To The Wholesalers. And Additionally, How The Retailer Will Be Protected If The Unstamped Cigarettes Aren't Sold By The Stated Deadline. Because Of The High Cost Of Goods This Would Cause A Financial Hardship To Many Retailers Across The State If They Were Forced To Absorb This Lost Revenue. Thanks For Taking This Matter Into Consideration.

Respectfully  
Richard Watts  
General Manager  
Great Alaska Tobacco



**Frontier Expeditors**  
**355 East 76th Avenue, Suite 102**  
**Anchorage, Alaska 99518**  
907-868-4500 - 800-478-4484  
Fax 907-868-1633

February 9, 2004

Senator Con Bunde  
Alaska Senate  
State Capitol -- Room 506  
Juneau AK 99801

Dear Senator Bunde:

I am writing to provide written testimony in favor of SB 291 which provides for an extension of the March 31<sup>st</sup> deadline for the possession of unstamped cigarettes originally established in SB 168.

The 90 day transition timeline provided in SB 168 has proven inadequate to move taxed but unstamped product through the retail pipeline. Our company owns 25 retail stores in Rural Alaska that operate under the Alaska Commercial Company banner and has a wholesale relationship with over 100 small independent retailers throughout Rural Alaska. These retailers face a very real and unnecessary financial and legal exposure if relief, in the form of SB 291 is not provided. I am attaching examples provided by two of our smaller company owned stores as well as a store list to give you an idea of the potential magnitude of the problem.

We support SB 291 and believe that a June 30<sup>th</sup> deadline will give retail the necessary time to move unstamped product through the pipeline. January and February are our two slowest months at retail plus all stores take annual inventory in January requiring stocks to be at lowest possible levels.

Thank you for your time and consideration regarding this issue. I would be happy to provide any additional information at your request.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bob Galosich', is written over a horizontal line.

Bob Galosich  
Vice President of Wholesale Operations  
Frontier Expeditors

**Bob Galosich**

---

**From:** Ft. Yukon  
**Sent:** Friday, February 06, 2004 10:40 AM  
**To:** Bob Galosich  
**Cc:** Gary Long; Walt Pickell  
**Subject:** tobacco products

Morning Bob,

I have a few items in my store I'm not sure will sell by June. that are not stamped. I have gone through my inventory and came up with a few cigarette's and snuff (I don't know if that's included or not. I'm assuming so since it's tobacco.) that we probably will not sell before June.

Here's the list:

Kodiak chow 18 rolls (I don't believe we have sold this since we got here.)  
Copenhagen long cut 2 rolls  
Salem lights 16 cartons (I believe who ever smoked these moved because we haven't sold any in a long time.)  
Newports 10 cartons  
Basic Lights 100's 16 cartons  
GPC Lights 17 cartons  
Marlboro Mediums 13 cartons.

Thanks for any help you can be. Stevi

**Bob Galosich**

---

From: Gary Long  
 Sent: Friday, February 06, 2004 2:32 PM  
 To: Bob Galosich  
 Cc: Wall Pickett  
 Subject: FW: Tobacco

Bob,  
 FYI  
 Gary Long

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

From: Unalakleet  
 Sent: Friday, February 06, 2004 12:17 PM  
 To: Walt Pickett  
 Cc: Gary Long  
 Subject: Tobacco

Wall

Below is a list of tobacco cartons that I'm carrying without the tax stamp. The line marked problem are the products that I'm worried about moving before the June dead line.

<i>Brand</i>	<i>Qty on hand</i>	<i>Problem</i>	
Mar. Ultra Light 100s	1		
Mar. Ultra Light Kings	3	2	
Mar. Blend 27 Kings	2	1	
Mar. Blend 27 King Box	2	1	
Mar. 25 Box	5		
Mar. Med Box	8		
Mar. Light 100s	4		
Mar. Kings	21		
Mar. King Box	19		
Cam. non filter	2	1	
Cam. Light King		8	
Cam. Light Box	5		
Basic Light 100s	2	2	
Basic Light King		6	5
Winston King	12		
Winston King Box	1		
Winston Light 100s	16	8	
Virginia Slims Light	2	2	
Kool Kings	1		
Merit ultra Light Kings	3	2	
Merit Light Kings	15	14	
Lucky Strike	5	5	
Salem King	10	9	
Salem King Light	13	12	

These are the same problem ones that I pointed out to you when you were here, which I got stuck with from Terry. Any help we can get would be greatly appreciated.

Thanks Lee

**ALASKA COMMERCIAL COMPANY BRANCH LIST -September 2, 2003**

<b>ALASKA COMMERCIAL COMPANY</b>		<b>907-273-4600</b>	<b>JERRY BLITNER..... PRESIDENT</b>				
<b>CORPORATE OFFICES/BILLING</b>		<b>AC# 416 907-273-4100 FAX</b>					
500 WEST 94TH AVENUE, SUITE 100		<b>AC# 4226 907-273-4804 FAX-ET/ING</b>	<b>FRONT MGR</b>	<b>BAKERY MGR</b>	<b>MEAT MGR</b>	<b>PRODUCE MGR</b>	<b>GENERAL MGR</b>
<b>ANCHORAGE, AK 99516-1723</b>		<b>FE# 14020 907-273-4841 FRONTIER</b>	<b>HARDWARE MGR</b>	<b>SOFTGOODS MGR</b>	<b>BAKERY/DELI MGR</b>	<b>PRODUCE MGR</b>	<b>GENERAL MGR</b>
<b>ALASKA COMMERCIAL COMPANY</b>		<b>AC# 426 907-552-8595</b>	<b>GARY BRUCE</b>				
<b>ANCHORAGE PROCESSING CENTER</b>							
6135 MIKE STREET							
<b>ANCHORAGE, AK 99504</b>		<b>907-562-6560 FAX</b>					
<b>AC VALUE CENTER</b>		<b>AC# 125 907-575-4327</b>	<b>ROCKY FRERIGHS</b>				
P.O. BOX 209		<b>AGE 0510</b>	<b>AC CHAMBERS</b>				
125 MAIN STREET							
<b>ANIAK, AK 99527-9093</b>		<b>FE# 14602 907-975-4125 FAX</b>	<b>SD 125</b>				
<b>AC VALUE CENTER</b>		<b>AC# 115 907-992-9771</b>	<b>BRYN TEIGEN</b>				
P.O. BOX 3		<b>AGE 0883 907-982-0188</b>	<b>ROB BOU-DREAU</b>	<b>BOB BOU-DREAU</b>	<b>GRANT FERGUSON</b>	<b>SALLY ROBERTS</b>	<b>JEAN DUBOIS</b>
4725 ANCHORAGE STREET		<b>800-515-2252</b>	<b>MANSOUR ALZAHARA</b>				
<b>BARROW, AK 99723-2219</b>		<b>FE# 14616 907-852-5712 FAX</b>	<b>SD 115</b>				
<b>AC QUICKSTOP</b>		<b>AC# 355 907-852-4698</b>	<b>DAVID BEXTEL</b>				
P.O. BOX 189		<b>AGE 051</b>					
1250 ANCHORAGE STREET							
<b>BARROW, AK 99723-2103</b>		<b>FE# 14642 907-852-4633 FAX</b>	<b>SD 335</b>				
<b>AC VALUE CENTER</b>		<b>AC# 135 907-842-2681</b>	<b>DAVID HICKS</b>				
P.O. BOX 910		<b>AGE 0512 800-476-1681</b>	<b>CARREN MICHAEL</b>	<b>JEFF CUMMINS</b>	<b>ELL BOWELL</b>	<b>TONY COURTNEY</b>	<b>BARBARA MATT LAW</b>
135 RIDGECREST STREET							
<b>BETHEL, AK 99557-0229</b>		<b>FE# 14603 907-543-4121 FAX</b>	<b>SD 135</b>				
<b>AC EXPRESS - BELLS FLATS</b>		<b>AC# 535 907-437-2117</b>	<b>STEVE KREBER</b>				
14012 REZANDR DRIVE WEST		<b>AGE 0528</b>					
<b>HOODIAK, AK 99515</b>		<b>FE# 14624 907-497-2157 FAX</b>	<b>SD 535</b>				
<b>AC VALUE CENTER</b>		<b>AC# 235 907-424-7145</b>	<b>DENNIS ROSE</b>				
P.O. BOX 130		<b>AGE 0525 907-824-7155</b>	<b>VIVI SILVEIRA</b>	<b>CARL JOHNSON</b>	<b>GUYTON STARRS</b>	<b>ROBERTA BETH</b>	<b>FORNIELLER</b>
105 NICHOLSON WAY							
<b>CORDOVA, AK 99574-0130</b>		<b>FE# 14604 907-424-7143 FAX</b>	<b>SD 235</b>				
<b>AC VALUE CENTER</b>		<b>AC# 295 907-842-5444</b>	<b>BOB BABIAK</b>				
P.O. BOX 430		<b>AGE 0514 800-476-5444 WPHS</b>	<b>G. O. MORGENTHAU</b>	<b>ED. BAUER</b>	<b>JOHN SEEMAN</b>	<b>TOMMY DASH</b>	<b>KEITH SANDERSON</b>
235 MAIN STREET		<b>907-842-2373 WPHS</b>	<b>APRIL SUNDRAND</b>				
<b>DILLINGHAM, AK 99576-0252</b>		<b>FE# 14618 907-541-2511 FAX</b>	<b>SD 295</b>				
<b>AC VALUE CENTER</b>		<b>AC# 245 907-551-2245</b>	<b>JOHN SCHNAUBERT</b>				
P.O. BOX 92043		<b>AGE 0522</b>	<b>CHRISTINE MCGRAWAY</b>	<b>CHRISTINE MCGRAWAY</b>	<b>YVES ORF</b>	<b>ED. COBBS</b>	<b>WENDIE SANDERSON</b>
200 SALMON WAY							
<b>DUTCH HARBOR, AK 99530-1229</b>		<b>FE# 14605 907-551-2515 FAX</b>	<b>SD 245</b>				
<b>AC VALUE CENTER</b>		<b>AC# 345 907-943-2515</b>	<b>RUE SAUNDERS</b>				
P.O. BOX 109		<b>AGE 0510</b>					
245 MAIN STREET		<b>907-943-2515 MCHS</b>					
<b>EMMONAK, AK 99531-2329</b>		<b>FE# 14606 907-943-1327 FAX</b>	<b>SD 345</b>				
<b>AC VALUE CENTER</b>		<b>AC# 155 907-962-2330</b>	<b>STEVIE NEHLS</b>				
P.O. BOX 29		<b>AGE 0517</b>	<b>HANNE BERGMAN</b>				
155 MAIN STREET							
<b>FORT YUKON, AK 99748</b>		<b>FE# 14607 907-852-3724 FAX</b>	<b>SD 155</b>				
<b>HOOPER BAY NATIVE STORE</b>		<b>AC# 375 907-755-4000</b>	<b>JOHN OLSON</b>				
GENERAL DELIVERY		<b>AGE 0529</b>					
P.O. BOX 209							
<b>HOOPER BAY, AK 99904</b>		<b>FE# 14634 907-755-4001 FAX</b>	<b>SD 375</b>				
<b>SEA LION RETAIL STORE</b>		<b>AC# 385 907-755-4025</b>	<b>JOHN OLSON</b>				
GENERAL DELIVERY		<b>AGE</b>	<b>CHERYL BEANSTER</b>				
P.O. BOX 109							
<b>HOOPER BAY, AK 99904</b>		<b>FE# 14636 907-755-4001 FAX</b>	<b>SD 385</b>				
<b>AC VALUE CENTER</b>		<b>AC# 325 907-897-2232</b>	<b>SABRINA LARIM</b>				
P.O. BOX 109		<b>AGE 034</b>	<b>LEG LAMM ASSIST BY MGR</b>				
1 BAYVIEW DRIVE		<b>TERESA BELL</b>					
<b>KING COVE, AK 99613</b>		<b>FE# 14619 907-497-2611 FAX</b>	<b>SD 325</b>				





Senator Gary Wilken  
Alaska Senate  
State Capitol, Room 506  
Juneau, AK 99801

February 23, 2004

RE: SB 291 Cigarette Tax Stamp Legislation

Dear Senator Wilken:

The purpose of this letter is to submit written testimony in favor of SB 291, which is an act extending the March 31, 2004 deadline for the possession of unstamped cigarettes originally established in SB 168. As you know, SB 168 is an act providing for the collection of Alaskan excise tax on cigarettes by placing an Alaska tobacco stamp on all cigarettes imported into the state.

SB 168 requires all cigarettes imported after January 1, 2004 to carry an Alaska tobacco stamp. The act provides for a 90-day transition period authorizing the sale and possession of unstamped cigarettes imported prior to the effective date. The 90-day transition period runs from January 1, 2004 through March 31, 2004. After April 1, 2004 the possession of unstamped cigarettes is a violation of state law and misconduct involving unstamped cigarettes is a class C felony. In addition, any unauthorized unstamped cigarettes held at wholesale or retail after April 1, 2004 will be considered contraband and subject to forfeiture and seizure by state authorities.

The problem is that after 4/1/2004 all unauthorized unstamped cigarettes will be considered contraband even though the state has collected their excise tax of \$1.00 per carton from licensed wholesalers. Originally we felt the 90-day transition timeline would be adequate to sell-through the inventory of unstamped cigarettes. However, due to a number of factors it does not appear that the transition period is going to provide for sufficient time to deplete inventory levels of unstamped cigarettes. The consequence of this fact creates a legal dilemma for legitimately licensed retailers and wholesalers, not to mention a potential financial loss.

State law prohibits retailers and wholesalers from selling cigarettes below cost in order to increase sales. The end result is that retailers do not have a means to sell distressed inventory and as the deadline looms they are reluctant to purchase unstamped cigarettes from wholesalers. The combination of these factors creates a snowball effect, which further exacerbates and restricts the sell-through of unstamped cigarettes.

The legislation prohibiting the possession of unstamped cigarettes after 3/31/2004 does not provide for an administrative solution to the situation outlined above. It is my hope that the Alaska Legislature will intercede and authorize an extension of the 3/31/04 deadline. We support SB 291 and believe that a 6/30/04 deadline will give us enough time to sell-through our remaining unstamped cigarette inventory and avoid a catastrophe.

Thank you for your time and consideration on this issue. If you have any questions or need further information on this issue I would enjoy an opportunity to discuss this matter with you.

Sincerely yours,

Michael J. Elerding  
President

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 2/4/04

FURTHER: Finance

Date of 5-Day Notice: 2/5/04  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2/10/04

Labor and Commerce Committee considered SENATE BILL NO. 291

**SB 291 UNSTAMPED CIGARETTES**

"An Act extending the transition period for activities involving unstamped cigarettes; 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

<b>Senate Bill:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<b>House Bill:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____


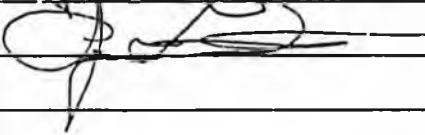

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
REV	2/9/04			✓	!

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

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





**SB**

**292**

**SFIN**

**FILE**

SB 292

was referred to the  
Senate Finance  
Committee

No hearing was held  
on this bill

**SB**

**295**

**HFIN**

**FILE**

