

ALASKA LEGISLATURE

2752

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

I. PURPOSE AND NEED STATEMENT

The State of Alaska, the communities of Iliamna, Newhalen and Nondalton, and the Lake and Peninsula Borough have identified a strong need for improving year-round overland access between Iliamna/Newhalen and Nondalton. Concurrent with this general need are specific needs to improve public safety, improve health care/services, expand and diversify community economies, improve the supply of government services, enhance the delivery of educational services, and correct or alleviate some existing environmental drainage and erosion problems.

Improving overland access between Iliamna/Newhalen and Nondalton is the highest priority transportation improvement project of the Lake and Peninsula Borough, as well as the communities of Iliamna/Newhalen and Nondalton. A well traveled, unfinished gravel road suitable for cars, trucks, and heavy equipment exists from Iliamna/Newhalen to the proposed bridge-crossing site at the Newhalen River. A less traveled road/trail exists from the crossing site to Nondalton. Some portions of that road/trail cross Alaskan Native Corporation property because the road right-of-way clearing has overgrown and users utilize the areas where the vegetation is shortest.

There is a need to improve local public safety. A transportation system is needed that will provide less reliance on air transportation between Iliamna and Nondalton. Alaska occupational fatality rate for commercial pilots (271 per 100,000) is approximately twice as high as for professional motorized drivers (130 per 1000,000) with plane crashes being the leading cause of occupational fatalities in Alaska, according to the National Safety Council and the National Transportation Safety Board. Therefore, the likelihood of potentially serious injuries and accidental deaths resulting from air travel between Iliamna and Nondalton needs to be reduced. Currently, overland winter travel between Iliamna and Nondalton is possible, but travelers have to cross the frozen Newhalen River and Sixmile Lake by snowmachine, vehicle or on foot. During the winter of 1988 two snowmachine riders drowned after falling through the ice near Nondalton. With reliable access across the Newhalen River, safer overland transportation, especially during periods of inclement weather, reduced visibility, and unstable river ice conditions, would become the preferred method of travel.

Improvements in health care/services are needed. The difficulty and expense of getting critically ill or injured people out of Nondalton in an emergency needs to be lessened. This need is most urgent in the event of a major disaster such as a fire. A transportation system is needed that would enable the sharing of facilities, expertise, and equipment. As an example, there is a need for a small hospital in Iliamna and an elders home in Nondalton. Improved overland access would permit such facilities to provide services to all the residents of Iliamna/Newhalen and Nondalton.

The economies of Iliamna/Newhalen and Nondalton need to be expanded and diversified. The cost of goods in these communities needs to be lowered. Currently, Nondalton is the largest community in the Lake and Peninsula Borough, but it is relatively isolated and offers very few job opportunities. This economic problem has been exacerbated in recent years due to the commercial fishing crisis in the Bristol Bay area. Currently, approximately 50 percent of the Nondalton potential workforce are unemployed. With an overland transportation link between Iliamna/Newhalen and Nondalton, the customer base for local businesses would effectively be doubled. This would give Nondalton residents the ability to take advantage of a greatly expanded range of employment opportunities. Improved overland access would also permit reduction in costs to passengers and freight carriers between Iliamna/Newhalen and Nondalton. Currently, 25-33 percent of material costs in Nondalton is estimated to be directly attributable to flight costs.

Providing government services to the residents of these communities needs to become more efficient and convenient. Government facilities at all levels could be consolidated in one place on the transportation system, rather than being spread out among several communities. At present, the Tazimina Hydroelectric Project provides power for the villages of Iliamna, Newhalen, and Nondalton. From the power plant to Nondalton, a transmission line parallels a portion of the existing road to the Newhalen River, where it then crosses under the river, and continues on to Nondalton. There is a need for reduced transportation costs in order to maintain this portion of line. Further, the underwater portion of this utility connection is plagued by many power outages. A bridge across the river could benefit the power company by allowing the

Iliamna Nondalton Road Improvements Statement of Purpose and Need

The State of Alaska, the communities of Iliamna, Newhalen and Nondalton, and the Lake and Peninsula Borough have identified the need for improving overland access between Iliamna/Newhalen and Nondalton. It is the highest priority transportation improvement project of the Lake and Peninsula Borough, as well as the communities of Iliamna/Newhalen and Nondalton. A well-traveled, but substandard gravel road suitable for cars, trucks, and heavy equipment exists from Iliamna/Newhalen to the bridge crossing site at the Newhalen River. A lesser pioneer road/ATV trail exists from the crossing site to Nondalton. Some portions of the road/trail cross Native corporation property because the road clearing has overgrown. The improvement and completion of this road offers many important economic and social benefits for the reasons outlined below:

Public safety will be improved. There will be less reliance on air transportation between Iliamna/Newhalen and Nondalton. Small aircraft transportation has a much higher death and injury rate per passenger than surface transportation. Therefore, the opportunities and likelihood of serious injuries and accidental deaths resulting from air travel between Iliamna/Newhalen and Nondalton will be lessened. Currently, overland winter travel between Iliamna and Nondalton is possible, but hazardous, across the frozen Newhalen River and Sixmile Lake. During the winter of 1995, two snowmachine riders drowned after falling through the ice near Nondalton. With a bridge, safer overland transportation, especially during periods of inclement weather, reduced visibility, and unstable river ice conditions, will become the preferred method of travel.

Health care/services will be improved. It will be easier to share facilities, expertise, equipment and evacuate the critically ill or injured. The difficulty and expense of getting very ill or injured people out of Nondalton in an emergency will be lessened. This benefit will be especially valuable in the event of a major disaster such as a fire.

The economies of Iliamna/Newhalen and Nondalton will expand and diversify as a result of this project, largely due to the resulting lower costs of goods in these communities. Currently, Nondalton is the largest community in the Lake and Peninsula Borough, but it is relatively isolated and offers very few job opportunities. If Nondalton is connected to Iliamna/Newhalen by road, the customer base for local businesses will effectively be doubled. This will give Nondalton residents the ability to take advantage of a greatly expanded range of employment opportunities. A further important benefit of this project will be the reduction in costs to passengers and carriers of freight between Iliamna/Newhalen and Nondalton. These cumulative economic factors are likely to increase trade and commerce between Iliamna/Newhalen and Nondalton.

Supply of government services to the residents of these communities should become more efficient and convenient as a result of increased and less expensive access. Government facilities at all levels could be consolidated at one place on the road system rather than being spread out among several communities.

There will result a long-term enhancement on the delivery of educational services, with benefits increasing over time. Completion of the Iliamna-Nondalton Road will benefit the school district through an improved ability to transport supplies, materials, students and personnel between Iliamna/Newhalen and Nondalton. The improvements will not only reduce costs but will also increase the safety of students and staff who travel regularly between these communities. The road reconstruction will also provide the school district options in providing enhanced secondary programs to students in Newhalen and Nondalton where student populations are not large enough to warrant the diversity of curriculum that could be made available if certain classes were consolidated. Improved transportation services will also provide students from both schools enhanced competition opportunities in sports activities.

The project will have a positive effect on the growth of "middle of the market" tourism in Iliamna/Newhalen and Nondalton. Alaska Department of Fish and Game reports the current growth in angler days at between seven and 11 percent per year in this general area. Air taxi operators report similar growth rates for their operations during the summer and fall. Many other signs and statistics point to an increase in the utilization of the area. The project will provide some of the infrastructure necessary to accommodate growth of the mid-market tourism. Iliamna is a favorite destination for recreational fishing on the Newhalen River and Nondalton is the largest community adjacent to Lake Clark National Park.

The project will have positive environmental effects by correcting, or alleviating, some serious environmental problems which presently exist:

First, because no bridge exists, it is now necessary to drive vehicles and heavy equipment across the Newhalen River (a world class salmon and rainbow trout resource) to access the other side. As an example, the Alaska Department of Fish and Game (ADF&G) has issued the City of Nondalton permits to drive its heavy equipment across the river so it can maintain the remainder of the road to Iliamna. With a bridge, it would not be necessary to disturb fish habitat by driving vehicles across the river bed.

Second, the existing road has some engineering and design problems and is not as well maintained as it would be if the link between Nondalton and Iliamna were complete. This situation results in unnecessary environmental damage along the road corridor. For example, there is serious erosion taking place at bridge sites and elsewhere along the road. The road also has drainage problems in certain areas. This frequently results in large sections of the road becoming impassable due to mud. During these periods, vehicles attempt to drive around the poorly drained areas which causes the "footprint" of the road to become wider and wider and results in unnecessary damage to the adjacent tundra. The proposed road improvements will alleviate these problems.

Third, the current method of getting fuel to the community of Nondalton, in addition to being a hardship for its residents, represents a serious threat to the environment. The Nondalton airstrip is too short for cargo planes to legally land. Further, fuel cannot be transported overland to the Iliamna airport or dock because there is no bridge across the Newhalen River. As a result, Nondalton residents must get their fuel in Iliamna, transport it by road to a place along the river several miles below the proposed bridge site known as the "landing," and then transport the fuel by skiff in 55 gallon drums up the river and across Six Mile Lake to Nondalton. The environmental risks associated with this complex mode of transporting fuel are significant. The proposed road improvements will alleviate these problems.

In conclusion, the long history of study and number of endorsements for improving the overland access between Iliamna/Newhalen and Nondalton demonstrates the need for this project. The purpose of this project is to meet those needs to the greatest extent that is practical.

Revised 10-6-97

This project is compatible with area joint land development projects. The road to the Tazimina River Hydroelectric facility begins at approximately Mile 9.3 of the Iliamna-Nondalton Road. During INNEC hydroelectric facility construction, the Iliamna-Nondalton Road was upgraded in some places to accommodate construction trucks and equipment bound for the power plant.

The No-Build Alternative would result in no change to land use or development patterns.

B. Farmland

There are no prime or unique agricultural lands, as defined in the Farmlands Protection Policy Act of 1981: 7 U.S.C. 4201-4209 (P.L. 97-98), currently designated in the State of Alaska. The Farmland Protection Act is not applicable to this project and no formal consultation with the Natural Resource Conservation Service is required.

C. Social



Executive Order 12898 dated 2/11/94, the Department of Transportation Order on Environmental Justice (DOT Order 5610.2) dated 4/15/97, and FHWA Order 6640.23 dated 12/2/98 require Federal actions avoid causing disproportionately high and adverse impacts on minority and low income populations with respect to human health and the environment. This project would in fact benefit the neighboring communities by providing better access to friends and family, reduced shipping costs, provide more employment opportunities, and reduce commuting time for those residents that live in one village but work on the other side of the river. Numerous Iliamna and Nondalton residents have stated that they would visit their friends and family more frequently if a more economic means were available to get across the Newhalen River.

Property values in Nondalton may increase slightly due to better accessibility. Community cohesion would be enhanced, since the improved road would allow greater social interaction between the three communities. There would be increased recreational opportunities as residents of all three communities would be better able to participate in events and activities in communities other than their own. The school district would benefit from decreased costs of transporting students between schools for activities. Students would be able to participate with

other area schools and share various teaching and extra curricular resources. Currently some activities can not be offered in Iliamna or Nondalton due to the low numbers, but the school district has indicated that if the two communities were connected by a bridge they would try and share resources and offer more classes and events. The linking of the communities would enhance opportunities for joint regional development measures such as a regional hospital, a home for elders, and a regional landfill. Public safety would be greatly improved, allowing safer and expedited emergency response times, improved safety officer response times, better traffic safety, and a fire escape route in the event of a fire in Nondalton.



The majority of local residents use ATVs for motorized transportation, with a few residents using cars and trucks. This trend of using ATV's would be expected to continue, as the cost of transporting, maintaining, and operating full size vehicles in this area is costly.

The utilization of the Newhalen River fisheries and recreation use of the river exhibits a pattern of increasing use and ADF&G personnel have noted increased usage of the more remote areas by those desiring a true wilderness experience. This project should not change this pattern.

The No-Build Alternative would result in little or no changes in current social conditions or trends.

D. Relocation

Construction of Build Alternative No. 1 would not require the relocation of any residential or commercial properties. The ADOT&PF has the right-of-way necessary for this alternative.

The No-Build Alternative would not involve any changes to the existing roadway right-of-way corridor.

E. Economic

The project would provide improved economic development and opportunity for area residents. Retail sales would benefit from ease of access and create more local demand for goods and services. The transport and exchange of goods and services would be enhanced with a reliable,

enlarged in 1982. Teacher's living quarters (a duplex, small house, and trailer) are adjacent to the school. The school offers various athletic programs, including Native Olympics, gymnastics, and classes for gifted children. All the shared circuit riding staff also serve the Newhalen/Iliamna school.

L. Transportation Facilities

The existing transportation systems are multi-modal. Some freight coming into Nondalton is flown to Iliamna, trucked to the landing site on the Newhalen River and barged to Nondalton. Material that cannot be shipped by plane is usually barged to the area by one of two routes. The first route is through the Aleutians to Bristol Bay and up the Kvichak River to Iliamna Lake. Another route in Cook Inlet uses a primitive road from Williams Port at the head of Iliamna Bay in Cook Inlet to Pile Bay on the southeast shore of Iliamna Lake. Freight is then barged to Iliamna. The switching from one mode to another and back again contributes to the cost of goods and construction in the region.

Travel to or from the study area is by plane or boat. Overland travel between Iliamna and Nondalton is not possible because of the lack of a bridge over the Newhalen River. Overland winter travel between these two communities is possible on the frozen Newhalen River and across Sixmile Lake. Hard to detect thin spots in the ice on the Newhalen River vary from day to day during the winter making ice travel very hazardous. Two snowmachine riders drowned during the winter of 1995 after going through the ice near the mouth of the river near Nondalton. Travel across frozen Lake Clark or Iliamna Lake is also possible but not very common due to the high risk involved. Snowmachine and four-wheeler travel is common year-round, especially in Nondalton where larger vehicles are few. The existing winter roadway to the proposed bridge site is used by residents traveling between the two communities. The steep hill on the east side of the river at the road end prevents the hauling of heavy freight or supplies. Most heavy or bulky items are transported by car or truck to the landing site on the old road, transferred to a boat or small barge, taken upstream to Nondalton and off-loaded to another vehicle and driven to the final destination.

Iliamna

Iliamna has regularly scheduled air service provided by ERA Aviation (Anchorage International) and Birchwood Air (Merrill Field). The locally based air taxi is Iliamna Air. The airport at Iliamna is quite large and a relic of federal emergency development during World War II. The main runway is 4,000 feet long and 150 feet wide. The crosswind runway is 3,000 feet long and 100 feet wide. Both runways are gravel. Pike Lake within the airport boundary, serves as a float or skiplane base. The airport is the only one in the region with an instrument approach system. Iliamna airport is a certificated airport and the major hub for the region. The airport receives mail, freight and regularly scheduled passenger flights. Iliamna airport is a commercial aviation service level airport (between 2,500 and 10,000 enplanements). For calendar year 1993 through the end of fiscal year 1995 the Iliamna airport is listed as having 6,230 enplanements.

**ILLIAMNA/NONDALTON ROAD IMPROVEMENTS
PROJECT NO. 51951
PUBLIC SCOPING MEETING/OPEN HOUSE FORMAT
NONDALTON MEETING
LOCATION: NONDALTON COMMUNITY BUILDING
10/28/97 - 2-5 PM
MEETING NOTES**

NOTE: This meeting was originally scheduled for and advertised to be held from 2 PM - 6 PM. However, in Iliamna, it was learned that because the Nondalton Airport lights were inoperable (and had been for some time), the return flight would have to be completed prior to nightfall. Thus, DOT had to close the meeting at 5 PM.

Mike Boleski lives at fish camp. He talked about "suicide hill", the Iliamna bank at the bridge site, and how slippery and dangerous it is.

Residents recounted several accidents and near drownings and a few drownings on the lake ice, while people were trying to cross the Newhalen River near Nondalton. Mental Health Aide was also rescued from cold river.

Tom Green says they apply to maintain x miles of roads, including the local Nondalton roads; there is no restriction on which miles they maintain. So they choose to use most of the money to maintain the Iliamna-Nondalton Road. There is not enough money from that one funding source to maintain the roads just within the City of Nondalton anyway.

Nondalton landfill project: Tom Green described "thermal oxidizer" (not exactly an incinerator) and how 5 cells are proposed; one to be used at a time to thermally process garbage, etc. Also plan to dispose of haz mat and haz waste at this site. Bob Blundell (DEC) has been working with them on this.

Susan reminded Tom that PHS and FHWA funds can be used to build access roads to disposal sites. Many projects are already in progress for PHS landfills and FHWA roads. Nondalton has chosen 3 sites for the Thermal Oxidizer; one near the river, one by the gravel pit and one further away. They prefer the one nearest the river. Current landfill is close to the Nondalton runway.

Gladys expressed concern that the road/bridge would increase the problems with alcohol/drugs getting into Nondalton. The problems are bad already; she sees them only getting worse. The VPSO does not control the situation and the Village Council doesn't do much either. Tom Green says that the road would help the two VPSOs (one from Iliamna, one from Nondalton) to work together to solve crimes. Often the criminals get away because the VPSO has to stop at the river; he can't follow criminals all the way home. Also, if legal, Tom would like to start up a 4-wheeler registration system to track all licenses/owners so VPSOs know who is driving away from the scene of the crime. The Nondalton VPSO is a full-time employee. He performs alcohol responses nearly every night. He mainly works a night shift because of the predominance of alcohol problems. He occasionally does loose dog reports.

Many residents told of near misses with drownings in river; usually alcohol related, but not always. Health Aid (male) nearly drowned recently.

The cost of transportation related to school activities is very high. It cost \$2,000 for a plane charter recently, to transport a volleyball team from Nondalton to Iliamna. Residents can think of much better ways to spend their school dollars than charters between the villages.

WRITTEN PUBLIC COMMENTS

Your input is an important element in the continued design of this project. To ensure that your views are considered, we have provided this sheet for your convenience. Comments should be returned to ADOT&PF by November 7, 1997.

ILIAMNA - NONDALTON ROAD IMPROVEMENTS

Project No. 51951

PUBLIC SCOPING MEETINGS:

- Monday, October 27, 1997 in Iliamna
- Tuesday, October 28, 1997 in Nondalton
- Tuesday, November 4, 1997 in Anchorage

(Please Print)

NAME: Melvin LeVeque

MAILING ADDRESS: PO BOX 100

CITY, STATE, ZIP: Nondalton, Alaska 99640

COMMENTS

* I have lived in Nondalton since 1986. My first winter there I broke through the ice on two occasions while traveling to Iliamna. On both occasions I was traveling with local residents and we were on the marked trail across the lake, so it was not attributable solely to my relative inexperience. The first time through the ice, if I had been by myself, I would never have been able to pull myself out of the water before freezing.

I am currently the manager for the Alaska Commercial Company, and speaking from an economic standpoint for the area, completion of a road connection between Nondalton, and the airport hub in Iliamna would greatly benefit the residents of both communities through lower cost of living; an important factor in these days of welfare reform. The prices charged in our locality are much higher than they would be if there was not the added transportation cost of re-shipping goods once they have been landed in Iliamna. Cost for items in any business reflect transportation costs, and we are currently subjected to double paying transportation. With the needed completion of a road connection between our villages, the price of merchandise would go down, because it would cost us less to drive them to Nondalton ourselves than it costs to have them flown from Iliamna.

In summary, I have experienced both physical danger, and economic penalty attributable to no road connection, as has most of our residents, and I strongly support the Road And Bridge project between Iliamna & Nondalton.

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WRITTEN PUBLIC COMMENTS

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ILIAMNA - NONDALTON ROAD IMPROVEMENTS

Project No. 51951

PUBLIC SCOPING MEETINGS:

- Monday, October 27, 1997 in Iliamna
- Tuesday, October 28, 1997 in Nondalton
- Tuesday, November 4, 1997 in Anchorage

(Please Print)

NAME: Eva LeVeque

MAILING ADDRESS: P.O. Box 062

CITY, STATE, ZIP: Nondalton, Alaska 99640

COMMENTS

Some of the reasons I have for wanting the road and bridge to go through between Nondalton and Iliamna are very good and a necessity for this community. Along the same lines it would be a detriment and very dangerous, as have been proven in the past, to allow the cancellation of this project.

On a personal level, I have gone through the ice while crossing the lake in 1995. My husband went through while crossing in 1986. My son went through the ice in 1996 while crossing. Those kinds of statistics alone should be enough to warrant a bridge in my opinion.

I've known everyone in Iliamna and Newhalen all my life and am not able to visit them unless the weather permitted depending on the time of the year. During freeze-up there isn't access to those villages except by air, the same happens during break-up. If I don't have the money to take an airplane which is usually the case, I am not able to see my relatives and friends. If the road and bridge went through, I would be able to go and visit at a whim which would make for a healthier social life. There are stores, restaurants and social activities that would be accessible to me provided the road and bridge went through. Right now, if our students wanted to go to Iliamna for a game they would have to fly because the lake is in the middle of freezing. To charter an airplane is costly therefore the children are not able to go as often as they would if the road and bridge were in place. Not to mention they would be able to attend social events between the two communities as scheduled without having to wait on the weather, or just not attend because of the season.

Cost of freight school programs for students between 7 schools hinders us tremendously

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I work as a substance abuse counselor and
service Alhanna, Pedro Bay and Hondalton.
I am able to service Alhanna one time a
month because of costs, I have to fly
back & forth. If the road and bridge
goes through I would be able to service
Alhanna twice a week which would
make a tremendous difference to the
people. After all our people are
~~our~~ our most important asset.
To stop the road and bridge project
would hinder our services available.
I am employed with Bristol Bay Area
Health Corporation. Last and very important
if there were an emergency in Alhanna
I would be able to respond night or
day no matter what the weather conditions.

WRITTEN PUBLIC COMMENTS

Your input is an important element in the continued design of this project. To ensure that your views are considered, we have provided this sheet for your convenience. Comments should be returned to ADOT&PF by November 7, 1997.

ILIAMNA - NONDALTON ROAD IMPROVEMENTS

Project No. 51951

PUBLIC SCOPING MEETINGS:

- Monday, October 27, 1997 in Iliamna
- Tuesday, October 28, 1997 in Nondalton
- Tuesday, November 4, 1997 in Anchorage

(Please Print)

NAME: George Alexie
MAILING ADDRESS: Box 108
CITY, STATE, ZIP: Nondalton, A.K. 99640

COMMENTS

I have lived in Nondalton all my life and public safety is my concern. The river at the mouth never freezes and going across the lake to the other side is dangerous. Several drownings have occurred and several near drownings have also occurred. Getting freight from northern air cargo in Iliamna could be easier to get if the road and bridge were in. In Nondalton the wind comes from the East and West. The airport is north/south. Air travel to

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Iliamna is risky ^[esc] A-122 Especially for school
related events if the road was in the students
can go down by bus.

**Remote Roads and Trails
Evaluation Process Standards and Scoring Criteria**

Standards	Scoring Criteria				
	(5)	(3)	(0)	(-3)	(-5)
1. Economic benefits following construction. Weighting: 3	Supports economic benefits; endorsed as an economic development project by governmental agency or representative group.	Supports capacity or new access specifically built to support regional or local industrial; commercial or resource development	Supports minimal, speculative or temporary economic opportunities or benefits or provides non-crucial benefit to existing economic activity.		
2. Health and Quality of Life (Air and water quality, neighborhood continuity, access to basic necessities) Weighting: 4	This project provides a significant contribution to improved health or quality of life through reduction or removal of existing negative factor.	This project provides a moderate contribution to improved health or quality of life through reduction or removal of existing negative factor.	Project will have no affect either positive or negative on quality of life issues.	This project provides a moderate degradation to health or quality of life.	This project provides a significant degradation to health or quality of life.
Examples: Access to basic sanitation = 5; dust control =4; access to medical facility=3.					
3. Safety. Weighting: 5	Addresses demonstrated safety problem of significance.	Addresses demonstrated safety problem of moderate nature or there is a record of public concern.	Project's primary objective is not safety.		
4. Improves intermodal transportation or lessens redundant facilities. Weighting: 2	Greatly improves the connectivity between modes and coordination and integration of passenger and freight systems and services and/or would clearly reduce the need for significant capital investment in another mode.	Moderately improves the connectivity between modes and enhances coordination and integration of passenger and freight systems and/or would clearly reduce the need for moderate capital investment in another mode.	Minimal or no affect on transportation system connectivity, or coordination and integration of passenger and freight systems and services and does not change the requirement for investment in other modes.	Moderately decreases the connectivity between modes or decreases coordination and integration of passenger and freight systems and/or would clearly require the need for moderate capital investment in another mode.	Greatly decreases the connectivity between modes or decreases coordination and integration of passenger and freight systems and/or would clearly require the need for significant capital investment in another mode.
5. Local, other agency or user contribution to fund project development Weighting: 4	Contribution provides state match, design, right-of-way, and materials.	Contribution provides any two: state match, design, right-of-way, or materials.	Contribution covers no capital costs; contributes nothing.		

ATTACHMENT C

**Remote Roads and Trails
Evaluation Process Standards and Scoring Criteria**

Standards	Scoring Criteria				
	(5)	(3)	(0)	(-3)	(-5)
6. (Use for non-DOT&PF facilities or facilities DOT&PF is unsuited to long-term ownership). Local, other agency or user contribution to fund operations and maintenance (O&M) costs. Weighting: 5	Contributions = 100% and assumption of ownership. (Assumption of like facility OK.)	Contributions cover ___% of O&M costs. One point for each 25%.	Contributions cover < 25% to >10% of O&M costs.	Contributions cover <10% to > 1% of O&M cost.	Contributions cover <1% of O&M cost.
or 6 A. (Use for facilities which only DOT&PF is logical owner). Departmental M&O priority Weighting: 5	Very high M&O priority.	Moderate M&O priority.	Not an M&O priority.	Not an M&O priority; would increase M&O costs moderately.	Not and M&O priority; would increase M&O costs significantly.
7. Public Support for the Project? Weighting: 3	Preponderance of public record including a resolution from the local elected body shows support for project and fully supported in official state/local plans.	Majority of public record shows support for project; and nominally supported in official state/local plans.	Public record is divided or undocumented toward project	Majority of public record shows opposition to project; and not supported in official state/local plans.	Preponderance of public record shows opposition to project including a resolution from the local elected body and contravenes official state/local plans.
8. Environmental Considerations Weighting: 1	Environmental approval likely with Categorical Exclusion or already complete.	Environmental approval likely with Environmental Assessment or draft document circulated.	Environmental approval likely with Environmental Impact Statement.	Environmental approval extremely difficult 50/50 chance.	Environmental approval unlikely.

**Remote Roads and Trails
Evaluation Process Standards and Scoring Criteria**

Standards	Scoring Criteria				
	(5)	(3)	(0)	(-3)	(-5)
<p>9. Will project provide new access to the noted uses: water sources, landfills, sewage lagoons/honey bucket sites, health care, airports, or subsistence sites? Weighting: 5</p>	Three or more uses = 5.	Two uses = 3. One use = 1.	None of uses listed.		
<p>10. System Preservation. Weighting: 3</p>	Major purpose of project is to extend the life of existing facility by 10 or more years.	Secondary purpose of project is to extend life of existing facility by 10 or more years.	Preservation is not significant purpose of the project.		
<p>11. Is this a joint project with ADEC, BIA or PHS? Weighting: 4</p>		Yes.	No.		
<p>12. Other factors not specified. Weighting: 2</p>	Project exhibits significant innovation, creativity or unique benefits not otherwise rated.	Project exhibits moderate innovation, creativity or unique benefits not otherwise rated.	Project exhibits no innovation, creativity or unique benefits not otherwise rated.		

COMMUNITY TRANSPORTATION PROGRAM NEEDS AND PRIORITIES

Score	Priority	Highway	Borough	Location	Name	Description	Cost Estimate
123.7	1		City & Borough of Juneau	Juneau	Capital Transit Buses	Replace four 35-foot transit coaches.	1,040,000
119.0	1		City & Borough of Juneau	Juneau	Thane Road	Reconstruction from ferry terminal to Rock Dump (Mount Roberts Road).	3,900,000
117.2	1		City & Borough of Juneau	Juneau	Glacier Highway	Reconstruct or relocate roadway from Indian Point to Point Louisa.	5,000,000
115.3	1	Denali Highway	Matanuska - Susitna		MP 80-104 Resurfacing	Rehabilitation including grading, drainage and surfacing improvements from the Susitna River (MP 80) to Brushkana Creek (MP104). After addition of new surface aggregate the surface will either be paved or calcium chloride will be applied to bind the surface.	4,000,000
111.5	1		Unorganized	Prince of Wales	Big Salt Lake Road	Realignment and reconstruction of 14.5 miles of road, with base and pavement. Replace bridges on three streams.	3,000,000
110.7	1		Kenai Peninsula	Homer	East End Road: MP 0.0-3.6	Provide for rehabilitation and safety improvements on Homer East End Road from the Pioneer Street/Lake Street Intersection (MP 0.0) to the Intersection with Kachemak Drive (MP 3.6). The project will widen the paved surface and may include realignments, slope flattening and other safety improvements as required. The project also includes drainage improvements and a sidewalk/path.	9,400,000
110.5	1		Lake & Peninsula	Iliamna	Iliamna to Nondalton Road	Complete a new road 22.3 miles in length from Iliamna to Nondalton including a bridge across the Newhalen River. The project was initiated in the early 1980's. The roadbed has already been partially completed.	9,750,000
109.5	1		City & Borough of Juneau	Juneau	Juneau Access Improvements EIS	Evaluation of improvements to access Juneau.	500,000
109.5	1		Unorganized	Whittier	Access Improvements	Construct improved access from Portage Valley to Whittier. The scope of the project will be determined during preparation of the project's environmental impact statement.	49,800,000

HICKEY & ASSOCIATES

Planning * Management * Lobbying

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211 Fourth Street, Suite 108, Juneau, Alaska 99801

E-Mail "mhickey@eagle.ptialaska.net"

(SENT VIA FAX)

November 6, 1997

Ms. Susan N. Wick
Environmental Team Leader
Central Region, Division of Design & Construction
Department of Transportation & Public Facilities
P.O. Box 196900
Anchorage, Alaska 99519-6900

Re: Iliamna Road Improvements Project No. STP-0214(3)/51951

Dear ^{SUSAN} ~~Ms.~~ Wick:

It was nice seeing you again at the scoping meeting on November 4. I wanted to provide some written comments to supplement that discussion.

I have been working in support of completing this project for the last three years as a transportation consultant and lobbyist on behalf of the Lake and Peninsula Borough. I also have a history with the project dating back to my tenure as commissioner between 1987 and 1991. Finally, I bring over twenty years of experience working as a transportation professional in Alaska, with an extensive history of looking at similar projects in rural areas throughout the state.

I fail to understand how anyone can propose a logical argument that this project is something other than the completion of transportation improvement project started twenty years ago. I think the record is quite clear that the intent from the beginning has been to develop a road link between the communities of Nondalton, Iliamna and Newhalen.

It was suggested during the meeting that the Alaska Department of Transportation and Public Facilities (DOT/PF) has previously made decisions to not support the project, including around the 1986 time frame. While I cannot speak to the specific record during 1986, I can tell you with complete certainty that the department strongly supported completion of this project during my tenure as commissioner, which started in March 1987 and ended in January 1991. There is a record that can clearly support this statement, including several attempts to gain a general fund appropriation to construct the bridge and finish the road into Nondalton. The department also transferred a surplus bridge out to the area for use on the project, an action which was taken I believe during the mid 1980's.

You heard some excellent testimony from local residents during our meeting describing the numerous benefits that would result if the bridge and hard link is built. I'm quite comfortable that any objective, independent analysis will find significant justification to proceed. At a minimum, this project will provide the following benefits:

1. Local transportation will be safer and more reliable. Residents will no longer have to risk their lives trying to cross the ice during the winter, or risk a flight during marginal conditions in an emergency. The ability to gain access to the Iliamna Airport will be greatly improved, which is important for medivac use and general travel.
2. Transportation costs will be reduced significantly. Current estimates show that an average of 25% or more of the cost to transport goods and people in and out of Nondalton is related to the leg between Iliamna and Nondalton.
3. The communities in the region will experience reduced costs to provide essential services. For example, infrastructure development and related operating costs can be reduced for basic services such as medical, education, and fire/police by sharing facilities, equipment and human resources. Another example is the opportunity to develop a regional landfill if this project is completed.
4. Environmental benefits will be gained. A considerable amount of the fuel used by Nondalton currently moves on or across the river, often in small, unstable skiffs. Switching these movements to truck deliveries will greatly reduce the potential for fuel spills into the river. Fuel storage for the area can also be consolidated, which will bring attendant environmental and cost savings.
5. Residents of all three communities will see an improved quality of life and more economic opportunity. In addition to the value of the previous benefits, there will be an increased ability to enjoy more social interaction and to pursue economic opportunities in the general area because of more safe, affordable and reliable transportation.

By all accounts, this project enjoys tremendous support from all parts of the immediate region. I recall hearing extensive and universal support two years ago during an informal meeting in Nondalton which Commissioner Perkins attended, which included numerous individuals from Iliamna and Newhalen who made the extra effort to make it into Nondalton to participate in the hour and a half session. In my experience, it is certainly rare to see this level of almost universal support.

It is clear that the principal objection to this project comes from a single Anchorage resident who owns property nearby, and who enjoys considerable financial wherewithal to, in the written words of his attorney, "oppose this project by any and all means, including to litigate to block the project." The basis for this objection apparently is a concern about the aesthetic or visual impact from the bridge, and a concern that the project will result in increased demand on the sport fish resource.

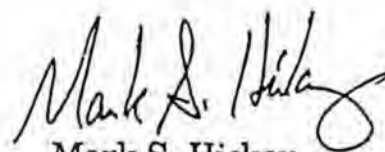
As far as the aesthetic issue, I fail to understand how the safety and basic quality of life of so many Alaskans can be sacrificed for that reason. However, I need to disclose that I happen to be someone who finds bridges aesthetically pleasing, at least more pleasing than grotesquely large, ostentatious vacation homes in the middle of a National Park and Preserve, such as the one being built by the party objecting to the project.

On the issue of resource impact, I believe all concerned agree the full range of benefits and impacts should be analyzed. However, it needs to be pointed out that the existing road stretches the length of the Newhalen River today, with numerous landings available to gain access to the river and connected water bodies. Given these facts (which has been the case for nearly twenty years), I fail to see why completing the bridge and road into Nondalton alone will bring numerous, additional sport fish users into the area. I would suggest continued improvements of the Iliamna Airport such as the new crosswind runway, will likely create more pressure on the resource than this project ever could.

This project is one of the of strongest rural, surface transportation projects I've seen during my entire career as transportation professional. As a former commissioner, I must observe that it would be a public policy tragedy of the worst kind for the department to deny the 300 to 500 long time residents of this area this valuable transportation improvement on the basis of the objections raised to date.

Thank you for the opportunity to submit these comments.

Sincerely,


Mark S. Hickey
Principal

cc. The Honorable Joe Perkins, DOT/PF Commissioner
Walt Wrede, Manager, Lake and Peninsula Borough

ATTACHMENT E

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(215) 592-1500
FAX (215) 592-1551

January 3, 1996

Mr. James Bryson
Federal Highway Administration
P.O. Box 21649
Juneau, Alaska 99802-1648

VIA FAX
907-586-7420

Dear Mr. Bryson:

This confirms our phone conversation of an hour ago.

I represent a client who opposes the proposed bridge and road from Iliamna to Nondalton. My client has authorized me, and is in the course of seeking and authorizing other attorneys, to oppose the project by any and all means, including to litigate to block the project.

} *

On behalf of that client -- and I appreciate at your suggestion to do so -- I request that you reconsider your recent decision granting a categorical exclusion under NEPA and that the scoping process be re-opened for the following reasons -- which I do not view as an exclusive list of the issues I will raise.

I have requested from Susan Wick, at Alaska DOT, the DOT files on this project but have not yet received them. I am concerned that the scoping process may have been cursory. It may have identified narrow issues related to the bridge itself and fish habitat and probably did not take NEPA's "hard look" at the potential, cumulative effects of the bridge. Those effects may well be in terms of:

- (1) increased access to and use of the river itself;
- (2) increased crowding along the river as well as increased use of areas of the river that are less used at present;
- (3) increased trespass on private property;
- (4) what are probably demonstrable, negative effects on the economic value of the Newhalen River as well as other fisheries west of that river; two studies of Alaskan sport fisheries and sport fishing industry in that region and in Southcentral Alaska (John Issacs & Assoc., 1985; Jones & Stokes, (ca. 1987) indicate that economic values

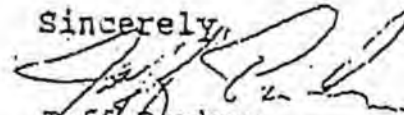
decline as crowding increases;

- (5) increased access to lands west of the river, with possible negative effects on subsistence users, and an increase in tensions between subsistence and sport users, of moose and caribou west of the river;
- (6) affects on brown bear and bear-human interactions along the Newhalen River, arising from increased access, particularly now in light of last year's killing of five brown bear on Newhalen and in light of recent Anchorage Daily News headline articles that attribute closing of brown bear hunting seasons on the Kenai Peninsula to increases in road access,
- (7) effects on users of Lake Clark National Park or users of areas west of the Park, where those effects may result from increased access west of the river,
- (8) effects that increased access may have on world class rainbow trout management in the area, including effects on the ability of the State to maintain age cohort distribution, populations, and fishery quality under the present regulatory regime, which allows a very limited harvest, and
- (9) visual concerns.

As you know, such cumulative effects fall well within the scope and purposes of the NEPA process. Addressing such effects is at the heart of the NEPA. As I recall, agencies have an obligation to raise and review such potential effects, even if the public does not raise them, for that is why resource agencies have the missions they do.

Here, I suspect that some of the agencies may have focused predominately on narrow effects resulting from the bridge itself. I hope that those agencies, too, may want to reconsider.

Sincerely,



Jeff Parker

cc: Susan Wick, ADOT

HB 327/SB 371

Powers and Duties of the Department of Transportation and Public Facilities

"An Act relating to the powers and duties of the Department of Transportation and Public Facilities; relating to a long-range program for highway construction and maintenance; repealing a requirement that public facilities comply with energy standards adopted by the Department of Transportation and Public Facilities; and providing for an effective date."

- Primary purpose of the bill is to revise DOT&PF's powers and duties to address recent litigation, which may ensnarl many other projects with a similar legal argument.
- Critical language is the requirement now in law requiring a cost & benefit study before a project is placed in the capital budget.
- Without this bill much of the state's transportation program is at risk of a situation similar to the crisis at Pogo mine.
- Unlike the crisis at Pogo, the issue with cost-benefit on transportation projects can be corrected with a change to state law. **This legislation can prevent the delay of one, two perhaps dozens of projects this year!**
- The consideration of costs and benefits is routinely done during the engineering design of projects to help refine the best solution. This bill has no effect on such practice.
- An important consideration is that the current law requires DOT&PF to do cost-benefit before the project is approved by the legislature in the capital budget, on every potential project nominated.
- This legislation is vital to the state's interest. A simple legal challenge would cause many projects now underway (engineering or construction stage) to be shut down while a formal cost-benefit study is completed.
- Cost-benefits studies are expensive and time consuming. Two recent examples: Nanknek to South Naknek - 7 months and \$215,000; two bridges at Nondalton and Alegnagik Alaska - 4 months and \$64,000.
- Not fixing the existing statute will be costly to local governments. They will have to prepare extensive cost-benefit studies prior to requesting federal funds from the STIP process. No reimbursement for these costs is eligible under federal rules.

please contact
Todd Larkin @ 4967
Rep. Holm

SB 371
Prepared by:
Alaska Department of Transportation and Public Facilities
April 30, 2004

Thank you Mr. Chairman:

I believe the legislation before you is some of the most important you will consider this year. While the bill is long and tedious, it addresses something we can all agree with. Transportation is vital to the state, and many important projects must continue to be built to serve the state. As my testimony will show, without this legislation, many such projects may be in jeopardy.

SB 371 contains both housekeeping and substantive measures.

Housekeeping:

To preserve time I will not address the house keeping measures other than to say they clean up sections of the powers and duties for DOT&PF to reflect the world we now operate within. Changes in other laws, technology, budgetary changes and governmental reorganization have intervened in such a way to make a part of our powers and duties language obsolete.

Specifically, I am referring to Section 3 as a house keeping measures.

Substantive:

The remaining sections of the bill are more substantive. They are directed at two specific goals:

- Ensuring that a specific project in the Lake Iliamna region (the Iliamna to Nondalton road and bridge) is not subject to endless planning and litigation; this a project that has been stopped and started since the mid-1970's.
- Ensuring that the state's transportation planning process is efficient, in line with current practice and federal influence, and most importantly not subject to additional litigation using the same arguments used on the Iliamna to Nondalton project.

Section 1:

This section was recommended to us by the Department of Law. This section, coupled with the other sections, notably Section 8, ensures the law will directly apply to the subject project currently before the Superior Court.

Section 2:

This section applies to a statutory requirement that existed when we were the Department of Highways prior to the merger with the Department of Public Works and the creation of DOT&PF. It clarifies that the requirement for a program of projects is a piece of the overall program of projects now required at AS 44.42.050 (see Section 4 of this bill). It also changes the timing from annual to periodic. We fulfill this requirement when we prepare the STIP (Statewide Transportation Improvement Program).

Section 4:

This section applies to the state's requirement for a multi-modal transportation plan. It clarifies that said transportation plan is in reality comprised of many different planning documents, organized by geography, modes, corridors and other distinctions. It further clarifies that the federal requirements are the primary standard of such planning efforts, which is practical, as nearly all of our funding must meet this standard.

Importantly, this section eliminates the requirement for consideration of costs and benefits (see separate discussion paper) of new transportation modes; this is the key element in the lawsuit against the state. It also eliminates the reference to the Alaska Transportation Planning Council, a body that has not been seated for nearly 20 years.

Section 5:

This section applies to the listing of projects slated for design and construction, typically known as the STIP (Statewide Transportation Improvement Program), TIP (Transportation Improvement Program for urban areas), and the AIP (Aviation Improvement Program). It aligns this section of state law to match up to various federal requirements DOT&PF must also follow.

Section 6:

This section provides that this law is retrospective or retroactive to the time that AS 44.42 was adopted as a matter of law, and not as a matter of legislative act. The entirety of the AS 44.42 was codified from an Administrative Order, in 1977.

Section 7:

Makes the effective date immediate.

Consequences of not passing this legislation:

- The Iliamna to Nondalton project may be delayed.
- The state's transportation planning processes will remain in conflict with various federal requirements. Process, not projects, will be the beneficiary leading to more paper and less pavement.
- Many, if not most other important projects, in all corners of the state, rural and urban, would be at risk for similar litigation. Evidence of such delay tactics have already been seen.

Pogo Permit Problem

The recent Pogo mine permit problem illustrates how development opponents are seeking new legal strategies to delay or halt projects. SB 371 addresses a similar delay tactic that can be used on many transportation projects.

Unlike the Pogo problem, which is based on federal law, the state has the ability to avoid the problems SB 371 is designed to address.

Thank you for your time. I would be happy to answer any questions you may have.

Issues of Concerns with Mandatory Consideration of Costs and Benefits
Statement by Alaska DOT&PF
April 30, 2004

Statute is not clear as to what constitutes “*consideration of costs and benefits*”

- CBR (cost-benefit ratio) is but one method of engineering economics
- Other legitimate methods include NPW (net present worth), CEM (cost effectiveness measures) and EUAC (equivalent uniform annual cost)¹.
- Other societal mandates often left out of strict economic considerations including LEC (least environmental cost), (EJ) environmental justice and SCP (safety conscious planning).

Statute has little if no flexibility regarding consideration of costs and benefits

- Requires such consideration on every new project regardless of usefulness
- Puts at risk all projects currently in progress (even under construction) that were selected for capital budget without consideration the Superior Court believes is necessary.

Statute would divert public money to cost-benefit consideration even when not meaningful

- Many project categories are not well suited to C-B consideration:
 - Rural Alaska projects provided as a basic public service but serve a small population base such as airports or sanitation roads
 - Urban Alaska projects that serve non-traditional transportation needs such as buses, trails or beautification
 - “Projects” required to fulfill one or more federal or state mandates such as traffic data collection, or environmental mitigation

Statute applies to statewide transportation plan, prior to project selection for capital budget

- Strict interpretation may prevent the following methods of project selection unless added to the statewide transportation plan:
 - Projects nominated by local governments
 - Projects selected by members of Legislature or Congress (earmarks)
 - Projects that arise unexpectedly due to natural disasters or other external causes (example: new retail store needing access).

Statute does not apply to alternative selection during project development

- C-B (or other engineering economic methods) are often used during project design to evaluate alternatives

¹ Fricker and Whitford, Fundamentals of Transportation Engineering, Pearson Prentice Hall, 2004

- Such tools are often used to select among competing choices, even on projects with low overall economic benefits (example: airport layout for small village)
- Proposed change in statute does not affect this use of C-B consideration

Statute is being used to argue against projects with C-B ratio less than 1.0

- In Trout Unlimited lawsuit, the plaintiff's attorney argues state should not build projects with ratio less than 1.0
- Many rural and urban projects would be at risk of this interpretation
 - Ferry projects
 - Transit and bus
 - Trails and beautification
 - Environmental remediation
 - Low volume roads and bridges
 - Airport improvements and relocations
- While current statute does not mandate only projects with positive C-B ratio be selected, this appears part of the motive behind the lawsuit in question

Statute is not in touch with the reality of transportation needs in Alaska

- Alaska is inherently a place where low population and vast land area make transportation critical, but often requiring a subsidy.
- Title VI of Civil Rights Act is interpreted by our federal partners to mean minority populations deserve access to federal funds even if not cost effective
- Ironically, the recent Congressional justification for Denali Commission funding for transportation argued that transportation in rural areas is vital to our future:

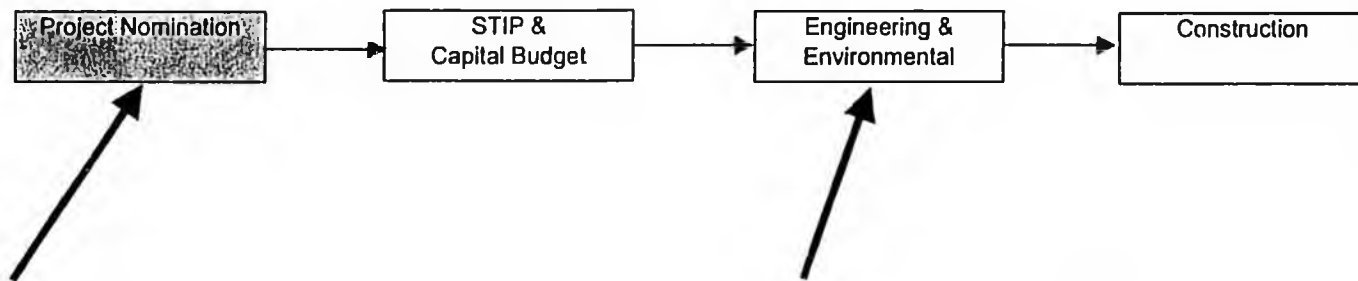
"... The majority of Alaskan communities remain unconnected. Alaska has been left far behind the rest of the Nation, with a road system that is no system at all. If the highway system is the Nation's skeleton, Alaska is still missing its arms and legs.

As a result, many Alaskan communities are punished with third-world conditions and an extraordinarily high cost of living, and the Nation as a whole is that much poorer because Alaska's tremendous natural wealth cannot be shared.

...²

² Senator Lisa Murkowski, US Senate Floor speech on amendment to S1072, February 12, 2004

Understanding the Different Applications of Cost and Benefit Consideration



Mandatory Cost and Benefit by current law.
Limited data and cost information.
Many competing projects to be funded.

Project level alternative Cost and Benefit
No law requires; routinely done to help select
Much higher level of data and cost information.

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 3/19/04

FURTHER: Finance

Date of 5-Day Notice: 3/25/04
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4/6/04

Transportation Committee considered SENATE BILL NO. 371

SB 371 POWERS/DUTIES DOTPF

"An Act relating to the powers and duties of the Department of Transportation and Public Facilities; relating to a long-range program for highway construction and maintenance; repealing a requirement that public facilities comply with energy standards adopted by the Department of Transportation and Public Facilities; and providing for an effective date."

and recommends:

- be replaced with _____ CS SB371 (TRA)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
House Bill:	
<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#
XXXXXXXXXX	XXXX/XX	XXXX	XXXX	XXXX	XXXX
DOT	4/7			✓	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
Lincoln	<i>[Signature]</i>			✓	
Carter	<i>[Signature]</i>	✓			
Tremault	<i>[Signature]</i>			✓	
Olson	<i>[Signature]</i>			✓	
Wagner	CO-CHAIR: <i>[Signature]</i>	✓			
	CO-CHAIR:				

SENATE FINANCE COMMITTEE

SIGN-IN

SB 371-POWERS/DUTIES DOTPF

NAME: Jeff Ottesen Subject/Bill No: 371
 Co./Dept./Title: Transportation Phone: 465-6971
 Address: 3132 Channel Drive Juneau Zip: 99801

Do you wish to testify? Yes No Respond To Questions
or

NAME: _____ Subject/Bill No: _____
 Co./Dept./Title: _____ Phone: _____
 Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
 Co./Dept./Title: _____ Phone: _____
 Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
 Co./Dept./Title: _____ Phone: _____
 Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

SB

374

SFIN

FILE

SB 374

was referred to the
Senate Finance
Committee

Hearing(s) were held

The bill did not move
from Committee

Senator Ben Stevens
Senate Majority Leader



Sponsor Statement

SB 374 – Permanent Fund Earnings/Income Distribution

The State of Alaska's revenue structure is heavily dependent on the production and price of oil. The production of oil in Alaska has steadily declined over the years, and with national and local environmentalists' opposition to exploration and development of oil and gas in the Arctic National Wildlife Refuge and the National Petroleum Reserve, experts predict an irreversible decline in production.

Over the last decade, the State of Alaska has closed its budget deficit by borrowing funds from the Constitutional Budget Reserve (CBR). Office of Management and Budget (OMB) forecasts predict that under current budget levels, oil production, and oil prices, the CBR will no longer have funds available to close future budget deficits. OMB's forecast assumes no major rise in state expenditures and predictable oil prices. A major dip in world oil prices or major increases in the cost of education or formula-driven programs will undoubtedly turn a general fund budget deficit into a true fiscal crisis.

Unless our state's savings account - the CBR - is repaid, it is only a matter of time before the Governor and the State Legislature will be forced to enact draconian taxes - which may ravage the state's economy and overburden taxpayers - or will be forced to enact draconian cuts that will devastate Alaska's schools, leave infrastructure to deteriorate, and leave the most vulnerable Alaskans out in the cold.

Recognizing current and future budget realities, SB 374 is proposed as a conservative statutory change that will enable future legislatures and future Alaskans to meet the core services of government: education, public safety, transportation, and public health.

Senator Ben Stevens
State Capitol
Juneau, Alaska 99801
907-465-4993
Fax: 907-465-3872

SB 374 outlines the priority use of the realized earnings of the Permanent Fund:

1. Permanent Fund Dividend

As under current law, the amount available for appropriation from the permanent fund would be based on an average of realized earnings for the past five years, with half going to dividends.

2. Inflation-Proofing

The amount needed to inflation-proof the Permanent Fund remains similar to current law. However, new deposits from natural resources into the corpus of the Permanent Fund will be considered in the calculation of the amount needed from the realized earnings.

3. Baseline Balance of the Earnings Reserve Account

Unlike current law, SB 374 mandates that after Permanent Fund Dividends and inflation proofing, all monies in the Earnings Reserve Account up to \$250,000,000 must remain in the Earnings Reserve Account.

4. Constitutional Budget Reserve

After Permanent Fund Dividends, inflation proofing, and remaining within the baseline balance of the Earnings Reserve Account, excess monies would be transferred to the Constitutional Budget Reserve.

Unlike high tax rates and deep cuts in government services, SB 374 ensures that little to no damage will be inflicted on Alaska citizens and the economy. Based on a recent study by the Institute of Social & Economic Research (ISER), transferring excess earnings of the Permanent Fund after paying Dividends and inflation proofing would do the least harm to Alaskans.

Moreover, transferring excess earnings of the Permanent Fund to the Constitutional Budget Reserve will allow the funds to appreciate over time.

SB 374 would revert to current statutory language once the deposits to the Constitutional Budget Reserve equals the amount appropriated from the CBR to the state's general fund.

I would appreciate your support.


Senator Ben Stevens
State Capitol
Juneau, Alaska 99801
907-465-4993
Fax: 907-465-3872

To: Mindy

Senator Ben Stevens
Senate Majority Leader



Memorandum

Date: 3/31/04
To: Senator Gary Wilken, Co-Chair
Senate Finance Committee
From: Senator Ben Stevens 
Subject: Fiscal Note for Senate Bill 374

Senate Bill 374 was heard in the Senate Finance Committee on Monday, March 29. However, a fiscal note was not provided from the Department of Revenue or the Permanent Fund.

I respectfully request that a fiscal note for Senate Bill 374 be requested by the Senate Finance Committee in order for the committee to understand the full fiscal impact of the legislation.

Thank you for your consideration of my request.

Senator Ben Stevens
State Capitol
Juneau, Alaska 99801
907-465-4993
Fax: 907-465-3872

Subject: Re: sb374 fn?

Date: Wed, 07 Apr 2004 10:35:33 -0800

From: Randy Ruaro <randy_ruaro@gov.state.ak.us>

Organization: Alaska Office of the Governor

To: Robin Paul <Robin_Paul@Legis.state.ak.us>

Hi Robin:

Actually, the fiscal information for SB 374 will be prepared separate from the fiscal note. Paul at the DOR is working on it, but apparently is out of the office this week.

Thanks

Randy

Robin Paul wrote:

> Morning Randy,
> Just checking in with you re status of fn for SB 374. Our notes say
> that a new DOR/Permanent Fund one was requested on 3/31. Any update?
> this bill is on our calendar for today.
> Appreciate it!
> Thanks!
> Robin

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 374
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Permanent Fund Income RDU AK Permanent Fund Corporation
Distribution Component AK Permanent Fund Corporation
Sponsor Finance by Request
Requester Senate Finance Component No. 109

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (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)

SB 374 would use incoming mineral revenues to offset a portion of the inflation proofing transfers from the unreserved to the reserved portion of the Permanent Fund. The bill also directs a portion of the realized earnings to be transferred to the Constitutional Budget Reserve on an annual basis.

SB 374 would not affect the management of the Fund and would have no effect on the APFC's operating budget.

Prepared by: Robert D. Storer, Executive Director Phone 465-2047
Division: Alaska Permanent Fund Corporation Date/Time 3/26/04 12:00 AM
Approved by: Steve Porter, Deputy Commissioner Date 2/6/2004
Agency: Department of Revenue



ALASKA PERMANENT FUND

UPDATED FINANCIAL PROJECTIONS 2004 - 2014

as of February 29, 2004

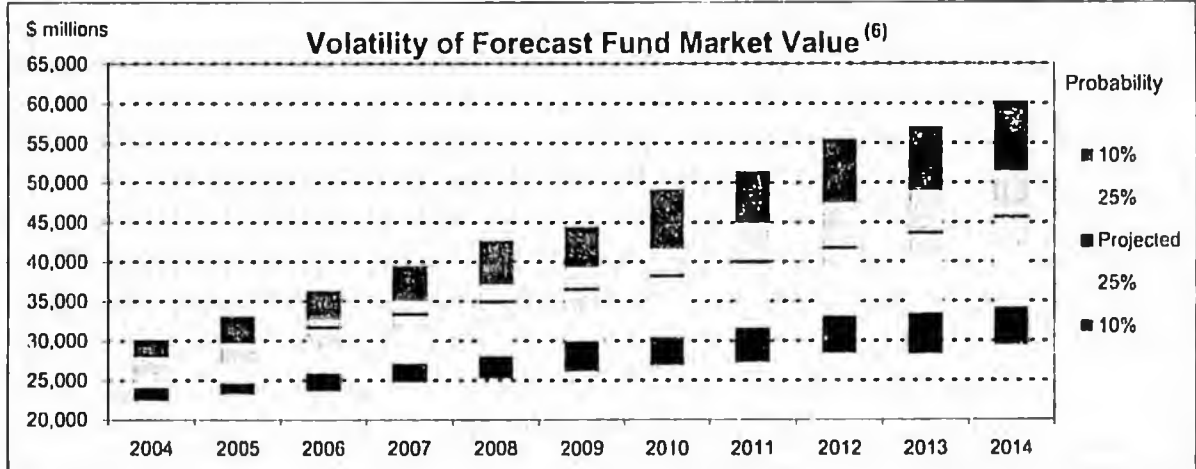
New projection for Feb 2004
with updated asset
allocation and 2004 capital
market assumptions.

Long-term projections will extend ten years, based on best available information (in millions)

Reserved Fund Balance										Unreserved Fund Balance								TOTAL FUND (5) FY End Balance		
FY	FY Begin Contrib. Balance	Appro- priations	Dedicated State Revenues	Inflation Proofing	FY End Balance Contributions	Unrealized Gain (Loss)		FY End Reserved Balance	Acct. Net Income (1)	Statutory Net Income	Distributions of Statutory Net Income			Realized Earnings Acct		FY				
						Net Change	FY End Balance				Dividends	Inflation Proofing	General Fund	Net Change	FY End Balance					
77-96	0	5,871	5,711	4,624	16,206	2,084	2,084	18,290	14,134	14,054	5,949	4,624	223	104	104	77-96	18,394			
97	16,206	828	308	486	17,828	1,085	3,169	20,997	3,149	2,036	747	486	1	3	107	97	21,104			
98	17,828	35	231	423	18,517	802	3,971	22,488	3,435	2,595	893	423	1	1,282	1,389	98	23,877			
99	18,517	41	155	288	19,001	(430)	3,541	22,542	2,148	2,544	1,045	288	3	1,201	2,590	99	25,132			
00	19,001	264	326	423	20,014	(12)	3,529	23,543	2,249	2,222	1,172	423	3	382	2,972	00	26,515			
01	20,014	8	339	686	21,047	(2,146)	1,383	22,430	(924)	1,199	1,113	686	4	(588)	2,384	01	24,814			
02	21,047	(23) (3)	258	602	21,884	(878)	505	22,389	(617)	257	926	602	5	(1,248)	1,136	02	23,525			
03	21,884	354 (7)	398	352	22,988	601	1,106	24,094	963	355	691	352	0	(1,035)	100	03	24,194			
04	22,988	21	300	169 (7)	23,478	2,420	3,526	27,004	4,165	1,724	605	169 (7)	0	950	1050	04	28,054			
05	23,478	22	252	618	24,369	(31)	3,495	27,864	2,097	2,106	592	618	0	896	1,947	05	29,811			
06	24,369	22	213	640	25,244	69	3,564	28,808	2,228	2,137	691	640	0	806	2,753	06	31,561			
07	25,244	26	205	662	26,138	(44)	3,519	29,657	2,359	2,378	913	662	0	802	3,555	07	33,212			
08	26,138	24	202	685	27,049	203	3,723	30,772	2,483	2,256	1,113	685	0	458	4,013	08	34,785			
09	27,049	29	199	709	27,986	38	3,761	31,747	2,601	2,535	1,198	709	0	627	4,640	09	36,387			
10	27,986	27	189	733	28,935	266	4,027	32,962	2,721	2,428	1,232	733	0	463	5,103	10	38,066			
11	28,935	32	182	758	29,907	61	4,088	33,996	2,847	2,754	1,297	758	0	699	5,802	11	39,798			
12	29,907	30	173	783	30,894	311	4,399	35,293	2,977	2,636	1,324	783	0	529	6,331	12	41,624			
13	30,894	37	164	808	31,904	71	4,470	36,374	3,114	3,006	1,403	808	0	794	7,125	13	43,499			
14	31,904	35	180	835	32,953	344	4,815	37,768	3,255	2,876	1,438	835	0	603	7,729	14	45,496			
Cumulative Totals																				
Projected for 2004-2014									2,259	7,401										
									30,850	26,835	11,806	7,401	0							

Assumptions:	Total Return	Inflation	=	Total Real Return
FY 2004	17.30%	2.28%		15.02%
FY 2005-2014 (4)	7.61%	2.60%		5.01%

- (1) Accounting net income is statutory net income plus the net change in unrealized gains (losses) and settlement earnings
- (2) Earnings reserve appropriated to principal and settlement earnings transferred to principal per AS 37.13.145(d)
- (3) Final reconciliation on State of AK royalty case
- (4) Based on 2004 Callan capital market assumptions and median expected returns. Actual results will vary from projections
- (5) Total Fund equals reserved fund balance plus the realized earnings account
- (6) The MOMA volatility graph shows the range of possible outcomes with the extremes of the bars indicating the less likely probability (as of 6/30/03)
- (7) \$354 of FY04's projected inflation proofing of \$523 was prefunded in FY03. Currently there is pending legislation for the remaining \$169 balance



1	Model Concept/Parameters:	1) Consider Dedicated Revenue to the Permanent Fund Principal as Inflation proofing. Appropriate any additional amount necessary to meet											
2		Inflation in full from the ERA if the dedicated revenue is insufficient.											
3		2) Pay dividends according to current formula.											
4		3) Transfer any remaining balance in the ERA, less \$250 million, to the CBR.											
5													
6	Assumptions:	1) FY05 GF budget is at the FY04 Enacted level											
7		2) GF Revenue provided by the Dept. of Revenue's Fall 2003 Forecast											
8		3) Formulas built into the Permanent Fund are based on APFC Financial Projections											
9		4) Under Status Quo - the ERA is used to fill the fiscal gap after the CBR is drained and there are no other options											
10													
11		(millions)	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
12	General Inputs:	Budget Growth Rate	-8.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
13		Inflation Rate	2.21%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
14		Projected population (thousands)	655	662	669	677	685	692	700	708	716	724	732
15		CBR Earnings Rate	2.8%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
16	<i>DOR-Fal 2003 Forecast</i>	Baseline GF Revenue	2,203	1,886	1,492	1,435	1,442	1,424	1,347	1,291	1,231	1,187	1,103
17													
18	APFC Projection Inputs:	Statutory Net Income	1,724	2,106	2,137	2,378	2,256	2,535	2,428	2,754	2,636	3,006	2,876
19		Principal Ending Balance	23,478	24,369	25,241	26,138	27,019	27,986	28,935	29,907	30,894	31,904	32,953
20	<i>(update with APFC monthly financials)</i>	Projected MV Ending Balance	28,054	29,811	31,561	33,212	34,785	36,387	38,066	39,798	41,624	43,499	45,496
21	<i>Latest update - Feb. 29, 2004 (11-revised)</i>	Accumulated Unrealized	3,526	3,495	3,564	3,519	3,723	3,761	4,027	4,088	4,399	4,470	4,815
22		Dedicated Revenue	300	252	213	205	202	199	189	182	173	164	180
23		Other/Special	21	22	22	26	24	29	27	32	30	37	35
24		Dividend Transfer	605	592	691	913	1,113	1,198	1,232	1,297	1,324	1,403	1,438
25		Inflation Proofing		618	640	662	685	709	733	758	783	808	835
26													
27	Calculated Variables:												
28		APFC Inflation Rate		2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
29		Realized as % of Prior Year Ending MV	7.1%	7.5%	7.2%	7.5%	6.8%	7.3%	6.7%	7.2%	6.6%	7.2%	6.6%
30		Accumulated Unrealized as % of Prior Year Ending MV	10.00%	-0.1%	0.23%	-0.14%	0.61%	0.11%	0.73%	0.16%	0.78%	0.17%	0.79%
31		Total as % of Prior Year Ending MV	17.13%	7.40%	7.40%	7.39%	7.41%	7.40%	7.40%	7.40%	7.40%	7.39%	7.40%

Provided by Senator Stevens

1	Status Quo	(millions)	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
2	General Fund	Unrestricted GF Revenue	2,203	1,886	1,492	1,435	1,442	1,424	1,347	1,291	1,231	1,187	1,103
3		GF Budget	(2,301)	(2,301)	(2,347)	(2,394)	(2,441)	(2,490)	(2,540)	(2,591)	(2,643)	(2,696)	(2,749)
4		Fiscal (Gap)/Surplus	(98)	(415)	(855)	(959)	(998)	(1,066)	(1,193)	(1,300)	(1,412)	(1,509)	(1,646)
5		Draw from CBR	98	415	855	959	115	0	0	0	0	0	0
6		Fiscal Gap After CBR Draw	0	0	0	0	(884)	(1,066)	(1,193)	(1,300)	(1,412)	(1,509)	(1,616)
7	CBR Fund												
8		Beginning CBR balance	2,097	2,079	1,764	1,012	110	0	0	0	0	0	0
9		Settlements	20	20	19	9	0	0	0	0	0	0	0
10		Earnings	59	80	83	48	5	0	0	0	0	0	0
11		CBR (Draw)/Payback	(98)	(415)	(855)	(959)	(115)	0	0	0	0	0	0
12		Ending CBR balance	2,079	1,764	1,012	110	0	0	0	0	0	0	0
13	Permanent Fund												
14		Market Value - Begin Bal	24,194	28,054	29,811	31,561	33,211	33,900	34,378	34,735	34,968	36,184	37,408
15		Principal - Begin Bal	22,988	23,478	24,465	25,441	26,442	27,468	28,527	29,605	30,713	31,844	33,006
16		Dedicated Revenue	300	252	213	205	202	199	189	182	173	164	180
17		Other/Special Appropriations	21	22	22	26	24	29	27	32	30	37	35
18		Inflation Proofing	169	713	741	770	800	831	862	895	927	961	997
19		Principal - Ending Bal	23,478	24,465	25,441	26,442	27,468	28,527	29,605	30,713	31,844	33,006	34,218
20		Accumulated Unrealized Gain(Loss)	3,526	3,495	3,564	3,519	3,723	3,760	4,011	4,067	4,340	4,402	4,699
21		Reserved - Ending Bal	27,004	27,960	29,005	29,961	31,191	32,287	33,616	34,780	36,184	37,408	38,917
22													
23		ERA Begin Bal	100	1,050	1,851	2,556	3,251	2,709	2,091	1,119	187	0	0
24		Realized Gain(Loss)	1,724	2,106	2,137	2,378	2,256	2,471	2,294	2,513	2,316	2,613	2,473
25		Informational only Income Available for Distribution		1,185	1,382	1,827	2,226	2,383	2,422	2,501	2,488	2,563	2,564
26		Transfer to Dividend Fund	(605)	(592)	(691)	(913)	(1,113)	(1,191)	(1,211)	(1,251)	(1,244)	(1,282)	(1,282)
27		Inflation Proofing/Special/Other	(169)	(713)	(741)	(770)	(800)	(831)	(862)	(895)	(927)	(961)	(997)
28		subtotal	1,050	1,851	2,556	3,251	3,594	3,157	2,312	1,487	332	370	195
29		Draw for Fiscal Gap	0	0	0	0	(884)	(1,066)	(1,193)	(1,300)	(332)	(370)	(195)
30		ERA - Ending Bal	1,050	1,851	2,556	3,251	2,709	2,091	1,119	187	0	0	0
31		Market Value - Ending Bal	28,054	29,811	31,561	33,211	33,900	34,378	34,735	34,968	36,184	37,408	38,917
32		Fiscal Gap After ERA Draw	0	0	0	0	0	0	0	0	(1,080)	(1,139)	(1,452)

1	SB374 MODEL	(millions)	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
2	General Fund	Unrestricted GF Revenue	2,203	1,886	1,492	1,435	1,442	1,424	1,347	1,291	1,231	1,187	1,103
3		GF Budget	(2,301)	(2,301)	(2,347)	(2,394)	(2,441)	(2,490)	(2,540)	(2,591)	(2,643)	(2,696)	(2,749)
4		Fiscal (Gap)/Surplus	(98)	(415)	(855)	(959)	(999)	(1,066)	(1,193)	(1,300)	(1,412)	(1,509)	(1,646)
5		Draw from CBR	98	415	855	959	999	1,066	1,193	1,300	1,412	1,124	388
6		Fiscal Gap After CBR Draw	0	0	0	0	0	0	0	0	0	(385)	(1,258)
7	CBR Fund												
8	Beginning CBR balance		2,097	2,079	3,618	3,759	3,726	3,279	2,882	2,177	1,518	540	0
9	Settlements		20	20	19	9	0	0	0	0	0	0	0
10	Earnings		59	80	170	177	175	154	135	102	71	25	0
11	Transfer from ERA		0	1,853	807	740	377	515	352	538	362	559	388
12	CBR (Draw)/Payback		(98)	(415)	(855)	(959)	(999)	(1,066)	(1,193)	(1,300)	(1,412)	(1,124)	(388)
13	Ending CBR balance		2,079	3,618	3,759	3,726	3,279	2,882	2,177	1,518	540	0	0
14	Permanent Fund												
15	Market Value - Begin Bal		24,194	28,054	27,958	28,778	29,519	30,503	31,369	32,453	33,391	34,562	35,565
16	Principal - Begin Bal		22,988	23,478	24,213	24,968	25,750	26,553	27,386	28,241	29,126	30,036	30,980
17	Dedicated Revenue		300	252	213	205	202	199	189	182	173	164	180
18	Other/Special Appropriations		21	22	22	26	24	29	27	32	30	37	35
19	Inflation Proofing		169	461	620	551	577	604	639	672	707	743	756
20	Principal - Ending Bal		23,478	24,213	24,968	25,750	26,553	27,386	28,241	29,126	30,036	30,980	31,951
21	Accumulated Unrealized Gain(Loss)		3,526	3,495	3,560	3,519	3,700	3,733	3,963	4,015	4,276	4,335	4,617
22	Reserved - Ending Bal		27,004	27,708	28,528	29,269	30,253	31,119	32,203	33,141	34,312	35,315	36,568
23													
24	ERA Begin Bal		100	1,050	250	250	250	250	250	250	250	250	250
25	Realized Gain(Loss)		1,724	2,106	2,004	2,168	2,005	2,223	2,093	2,348	2,212	2,496	2,351
26	Transfer to Dividend Fund		(605)	(592)	(677)	(878)	(1,051)	(1,103)	(1,102)	(1,138)	(1,142)	(1,194)	(1,208)
27	<i>Informational only</i> Inflation proofing calculation		na	713	733	756	779	803	828	854	880	907	936
28	Inflation Proofing Transfer		(169)	(461)	(520)	(551)	(577)	(604)	(639)	(672)	(707)	(743)	(756)
29	subtotal		1,050	2,103	1,057	990	627	765	602	788	612	809	638
30	Transfer to CBR		na	(1,853)	(807)	(740)	(377)	(515)	(352)	(538)	(362)	(559)	(388)
31	ERA - Ending Bal		1,050	250	250	250	250	250	250	250	250	250	250
32	Market Value - Ending Bal		28,054	27,958	28,778	29,519	30,503	31,369	32,453	33,391	34,562	35,565	36,818

1	OUTPUT - Status Quo vs SB 374 Model											
2	(millions)	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
3	Total Paid Applicants (thousands)	593	600	607	613	620	628	635	642	649	656	663
4	Dividend Checks											
5	Status Quo	na	\$ 987.29	\$ 1,138.82	\$ 1,489.21	\$ 1,794.12	\$ 1,898.64	\$ 1,907.92	\$ 1,948.69	\$ 1,917.46	\$ 1,953.77	\$ 1,932.96
6	Model	na	\$ 987.29	\$ 1,115.83	\$ 1,430.57	\$ 1,693.70	\$ 1,757.94	\$ 1,735.63	\$ 1,772.99	\$ 1,760.71	\$ 1,820.12	\$ 1,820.66
7	diff		\$ -	\$ (22.99)	\$ (58.63)	\$ (100.43)	\$ (140.70)	\$ (172.30)	\$ (175.70)	\$ (156.75)	\$ (133.65)	\$ (112.30)
8												
9	Permanent Fund Ending Market Value											
10	Status Quo	na	29,811	31,561	33,211	33,900	34,378	34,735	34,968	36,184	37,408	38,917
11	Model	na	27,958	28,778	29,519	30,503	31,369	32,453	33,391	34,562	35,565	36,818
12	diff		(1,853)	(2,783)	(3,693)	(3,397)	(3,009)	(2,282)	(1,577)	(1,622)	(1,843)	(2,099)
13												
14	Permanent Fund Principal Ending Balance											
15	Status Quo	na	24,465	25,441	26,442	27,468	28,527	29,605	30,713	31,844	33,006	34,218
16	Model	na	24,213	24,968	25,750	26,553	27,386	28,241	29,126	30,036	30,980	31,951
17	diff		(252)	(473)	(692)	(914)	(1,141)	(1,364)	(1,587)	(1,808)	(2,026)	(2,267)
18												
19	ERA Ending Balance											
20	Status Quo	na	1,851	2,556	3,251	2,709	2,091	1,119	187	0	0	0
21	Model	na	250	250	250	250	250	250	250	250	250	250
22	diff		(1,601)	(2,306)	(3,001)	(2,459)	(1,841)	(869)	63	250	250	250
23												
24	Accumulated Unrealized Gain											
25	Status Quo	na	3,495	3,564	3,519	3,723	3,760	4,011	4,067	4,340	4,402	4,699
26	Model	na	3,495	3,560	3,519	3,700	3,733	3,963	4,015	4,276	4,335	4,617
27	diff		0	(4)	(0)	(23)	(27)	(49)	(52)	(65)	(67)	(82)
28												
29	"Effective Inflation Proofing"											
30	Status Quo	na	4.1%	3.9%	3.8%	3.8%	3.7%	3.7%	3.6%	3.6%	3.5%	3.6%
31	Model	na	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
32	diff		-1.1%	-0.9%	-0.8%	-0.8%	-0.7%	-0.7%	-0.6%	-0.6%	-0.5%	-0.5%
33												
34	Fiscal Gap "After CBR Draw"											
35	Status Quo	na	0	0	0	(884)	(1,066)	(1,193)	(1,300)	(1,412)	(1,509)	(1,616)
36	Model	na	0	0	0	0	0	0	0	0	(385)	(1,258)
37	diff		0	0	0	884	1,066	1,193	1,300	1,412	1,124	388

Permanent Fund Market Value

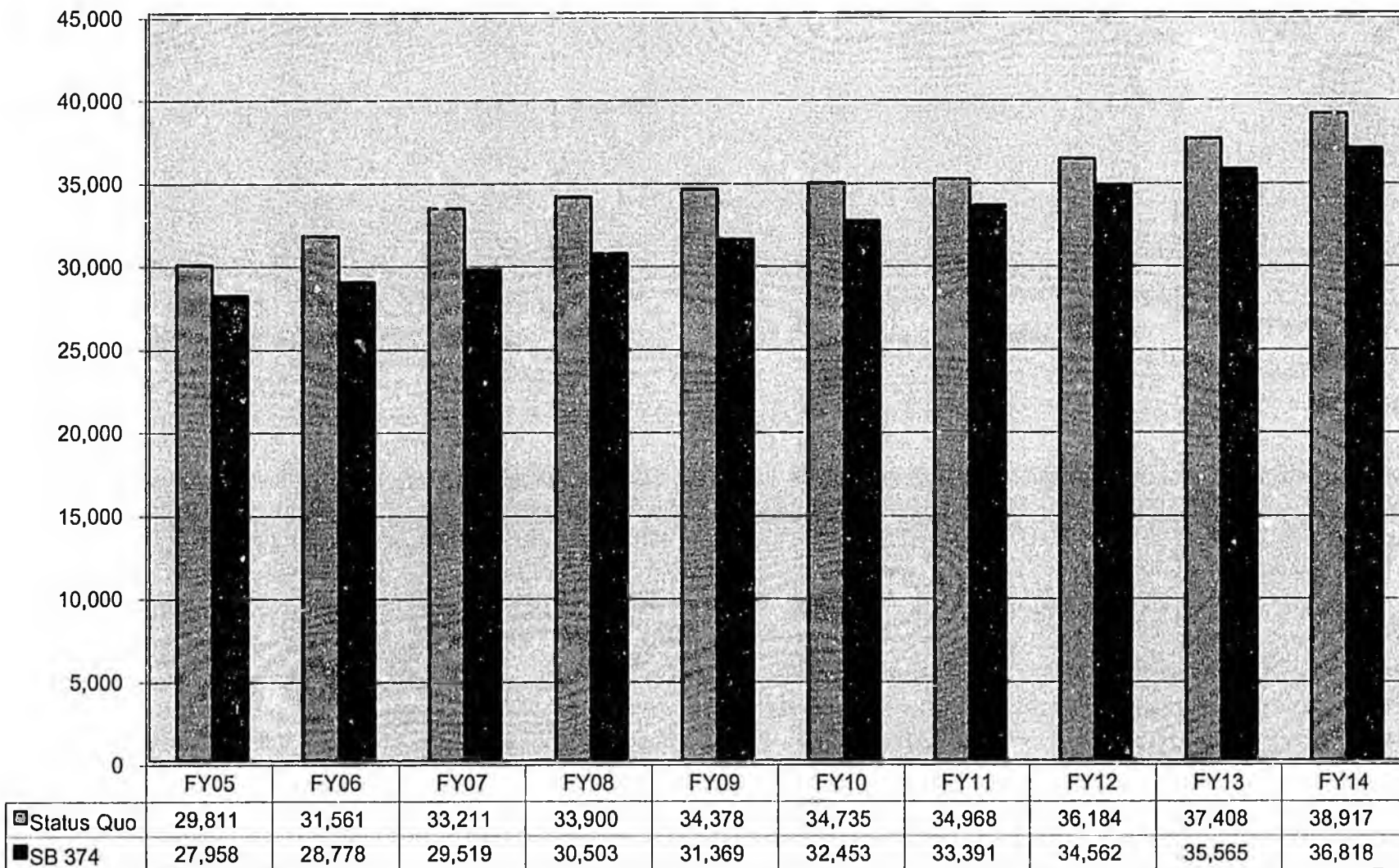
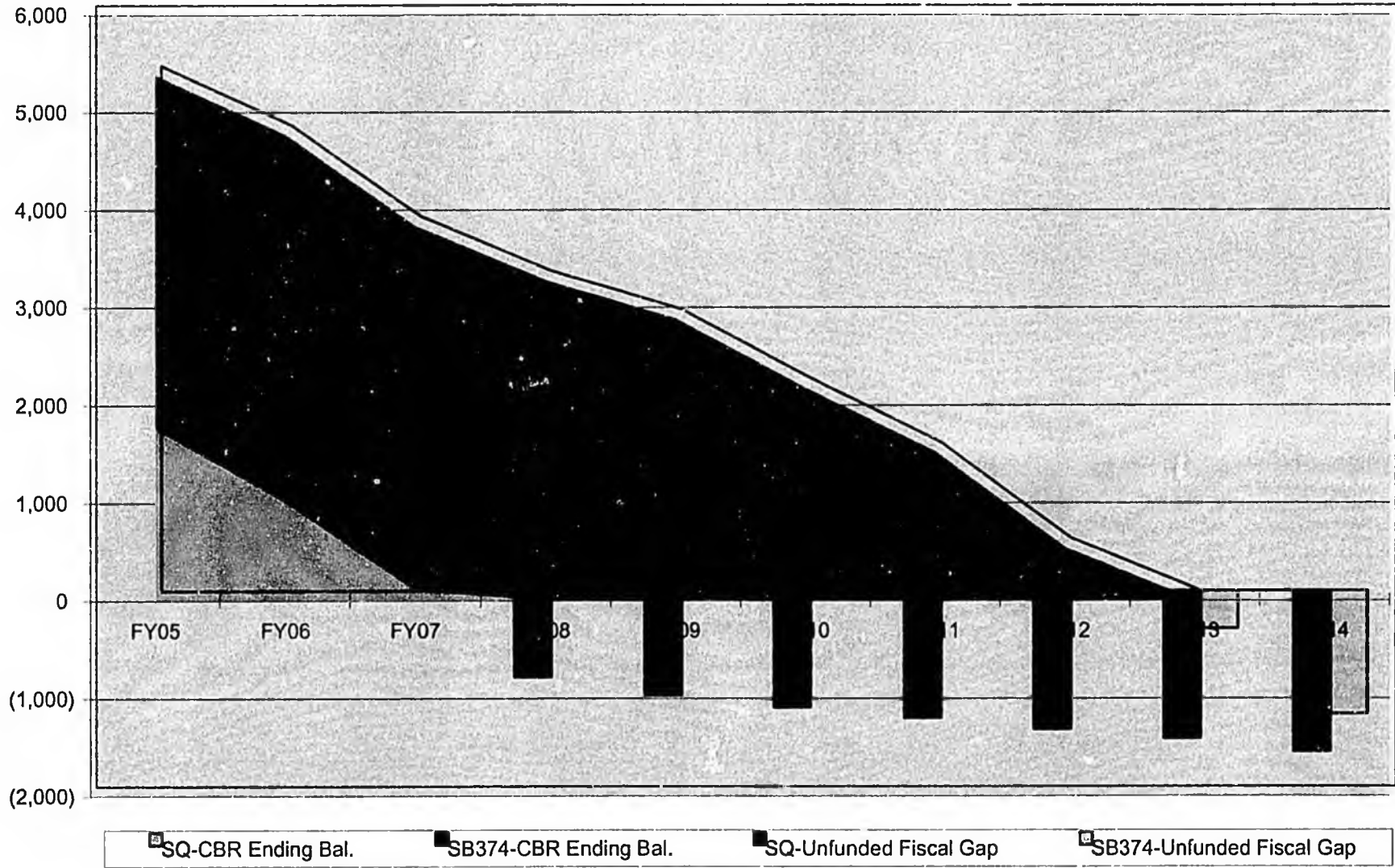
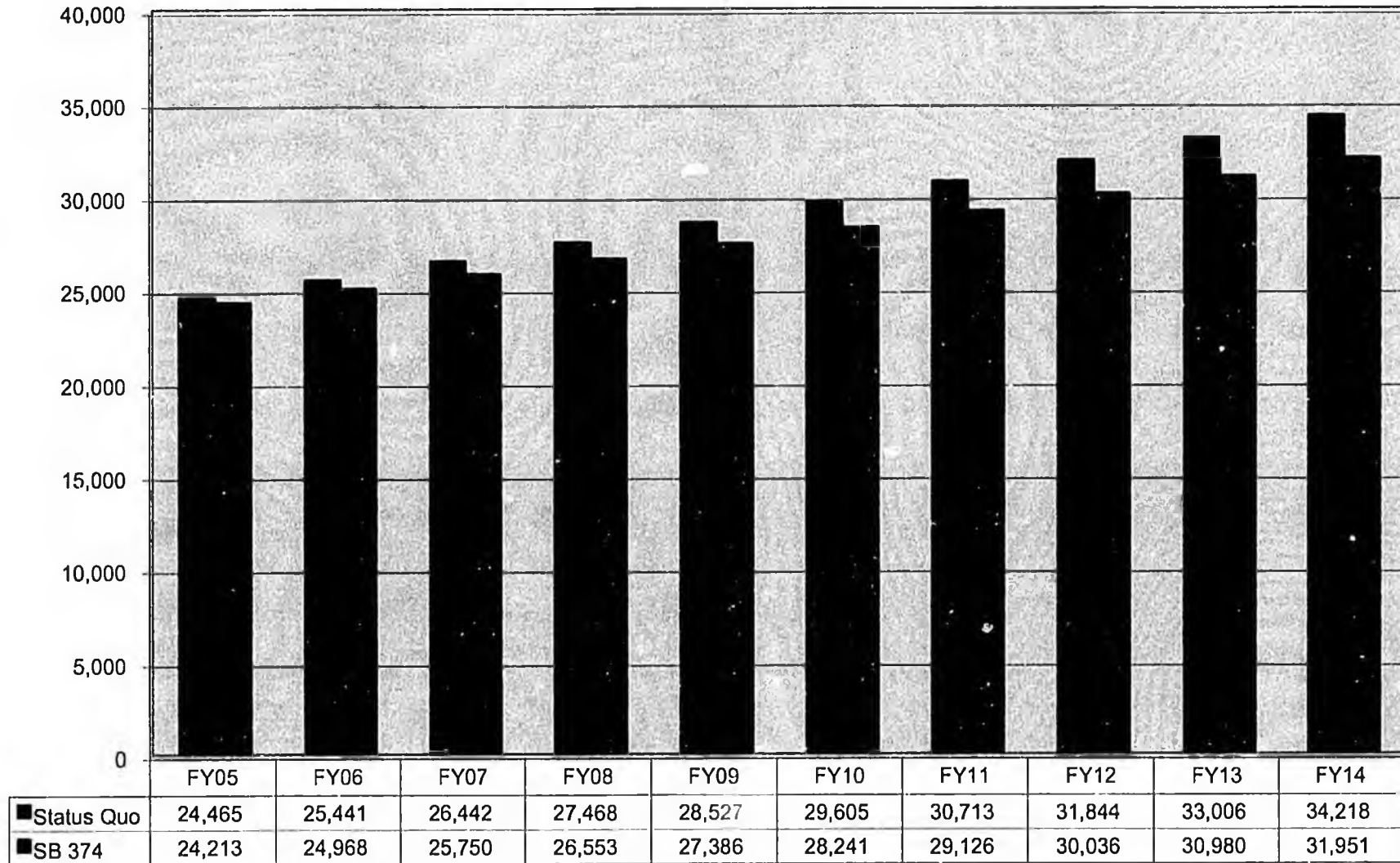


Chart-CBRFisgap

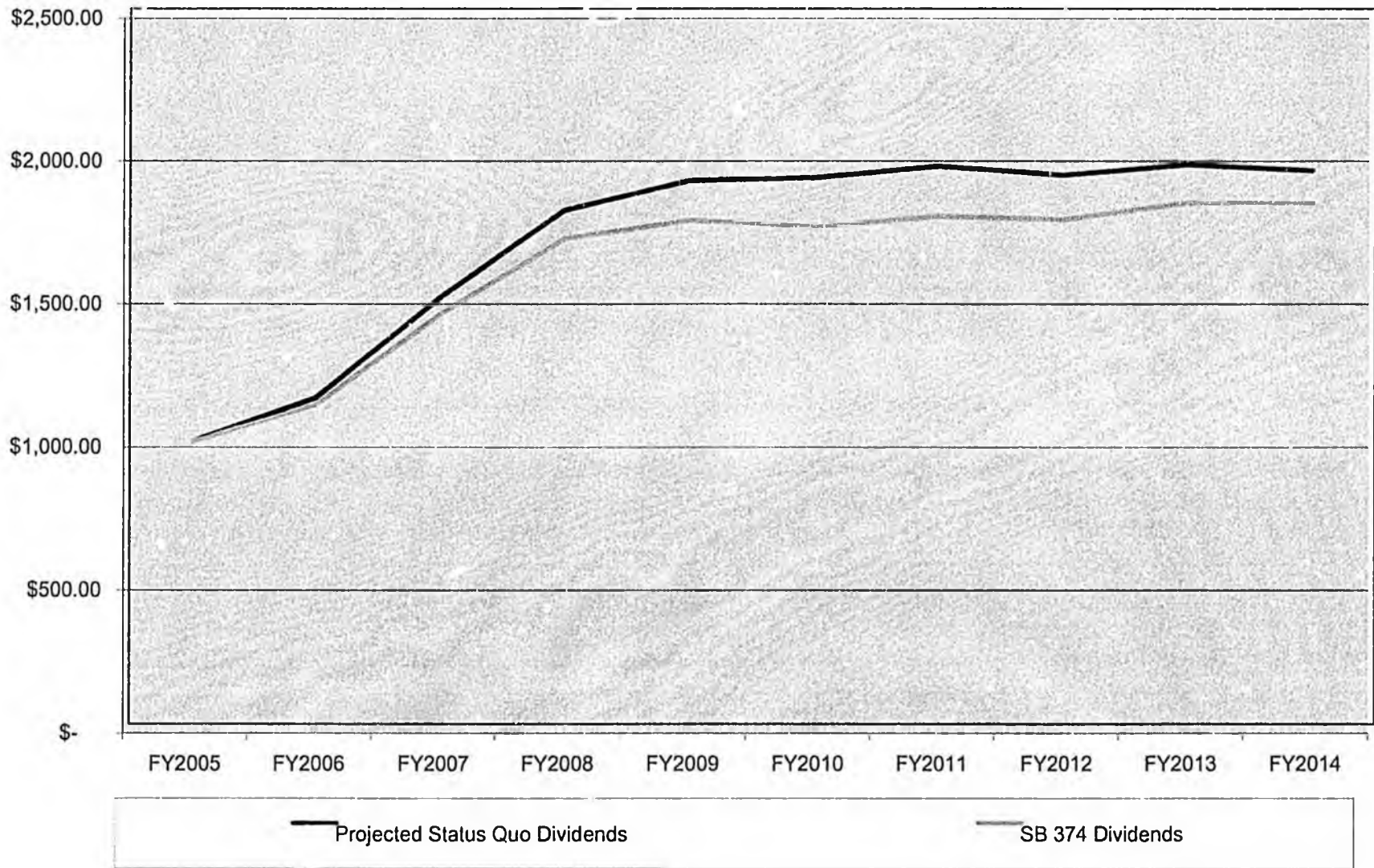
CBR Balance and the Fiscal Gap



Permanent Fund Principal



Dividend Checks

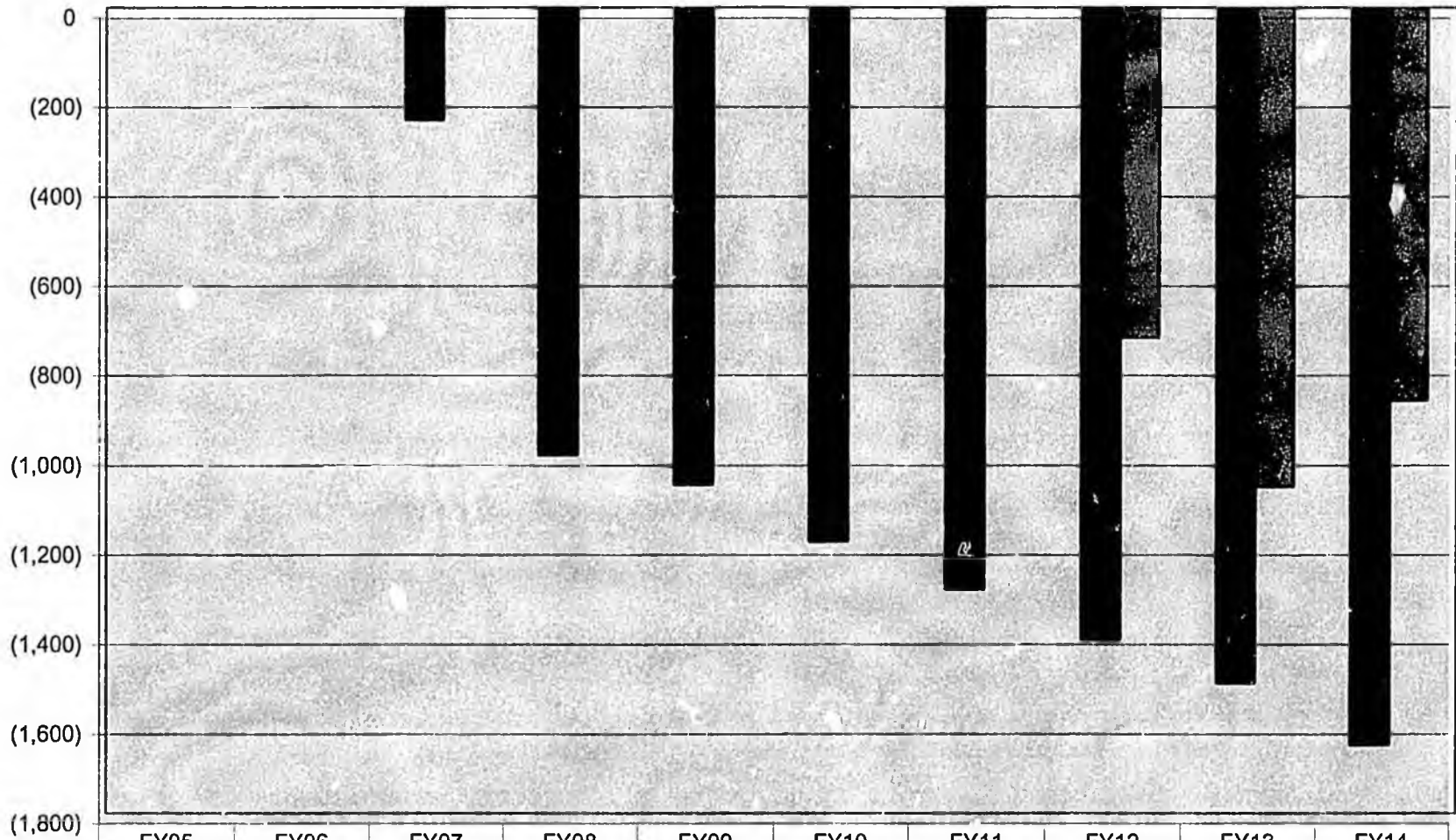


Savings - Model



	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
■ CBR	2,097	1,899	2,534	2,473	2,221	1,825	1,344	775	251	0	0	0
□ ERA	100	706	250	250	250	250	250	250	250	250	250	250
□ Accum. Unrealized	1,106	3,451	3,898	4,270	4,601	4,902	5,178	5,441	5,421	5,717	5,994	5,939
■ Principal	22,988	23,469	24,196	24,947	25,722	26,522	27,349	28,202	29,087	29,995	30,933	31,909

Fiscal Gap After CBR Draw - Status Quo vs. Model



	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Status Quo	0	0	(252)	(999)	(1,066)	(1,193)	(1,300)	(1,412)	(1,509)	(1,647)
Model	0	0	0	0	0	0	0	(738)	(1,071)	(878)

1	Model Concept/Parameters:	1) Consider Dedicated Revenue to the Permanent Fund Principal as inflation proofing. Appropriate any additional amount necessary to meet												
2		Inflation in full from the ERA if the dedicated revenue is insufficient.												
3		2) Pay dividends according to current formula.												
4		3) Transfer any remaining balance in the ERA, less \$250 million, to the CBR.												
5														
6	Assumptions:	1) FY05 GF budget is at the FY04 Enacted level												
7		2) GF Revenue comes from the Dept. of Revenue's Fall 2003 Forecast												
8		3) Formulas built into the Permanent Fund are based on APFC Financial Projections												
9														
10		(millions)	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
11	General Inputs:	Budget Growth Rate		-8.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
12		Inflation Rate	1.5%	2.21%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
13		Projected population (thousands)	648	655	662	669	677	685	692	700	708	716	724	732
14		CBR Earnings Rate	6.9%	2.8%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
15														
16	APFC Projection Inputs:	Statutory Net Income	na	1,336	1,615	1,810	1,984	2,145	2,297	2,447	2,889	2,662	2,821	3,358
17	(update with APFC monthly financials)	Projected MV Ending Balance	na	27,839	29,671	31,538	33,355	35,118	35,911	38,740	40,586	42,490	44,458	46,482
18	Latest update - Jan 31, 2004	Accumulated Unrealized	na	3,667	4,117	4,507	4,861	5,189	5,496	5,784	5,761	6,107	6,434	6,368
19		Dedicated Revenue	na	300	252	213	205	202	199	189	182	173	164	180
20		Other/Special	na	12	15	18	20	22	24	26	33	29	32	42
21		Dividend Transfer	na	564	500	564	746	933	1,034	1,122	1,235	1,306	1,377	1,489
22														
23	Calculated Variables:													
24		Realized as % of Prior Year Ending MV	na	5.5%	5.8%	6.1%	6.3%	6.4%	6.5%	6.8%	7.5%	6.6%	6.6%	7.6%
25		Accumulated Unrealized as % of Prior Year Ending MV	na	9.69%	1.62%	1.31%	1.12%	0.98%	0.87%	0.80%	-0.06%	0.85%	0.77%	-0.15%
26		Total as % of Prior Year Ending MV	na	15.21%	7.42%	7.41%	7.41%	7.41%	7.42%	7.62%	7.40%	7.41%	7.41%	7.40%

3/20/04
Sen. B Stevens overviewed

	(millions)	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
1	Status Quo												
2	General Fund												
3	Unrestricted GF Revenue	2,046	2,023	1,736	1,492	1,435	1,442	1,424	1,347	1,291	1,231	1,187	1,103
4	GF Budget	(2,496)	(2,301)	(2,301)	(2,347)	(2,394)	(2,441)	(2,490)	(2,540)	(2,591)	(2,643)	(2,696)	(2,749)
5	Fiscal (Gap)/Surplus	(449)	(278)	(565)	(855)	(959)	(999)	(1,066)	(1,193)	(1,300)	(1,412)	(1,509)	(1,647)
6	Draw from CBR	449	278	565	855	707	0	0	0	0	0	0	0
6	Fiscal Gap After CBR Draw	0	0	0	0	(252)	(999)	(1,066)	(1,193)	(1,300)	(1,412)	(1,509)	(1,647)
7	CBR Fund												
8	Beginning CBR balance	2,380	2,097	1,899	1,434	667	0	0	0	0	0	0	0
9	Settlements	22	20	20	19	9	0	0	0	0	0	0	0
10	Earnings	144	59	80	68	32	0	0	0	0	0	0	0
11	CBR (Draw)/Payback	(449)	(278)	(565)	(855)	(707)	0	0	0	0	0	0	0
12	Ending CBR balance	2,037	1,899	1,434	667	0	0	0	0	0	0	0	0
13	Permanent Fund												
14	Market Value - Begin Bal	23,525	24,194	27,626	29,443	31,296	32,848	33,283	34,214	35,093	36,180	37,617	39,062
15	Principal - Begin Bal	21,884	22,988	23,469	24,448	25,419	26,414	27,437	28,490	29,566	30,674	31,803	32,959
16	Dedicated Revenue	398	300	252	213	205	202	199	189	182	173	164	150
17	Other/Special Appropriations	354	12	15	18	20	22	24	26	27	29	32	42
18	Inflation Proofing	352	169	712	740	769	799	830	861	893	926	960	995
19	Principal - Ending Bal	22,980	23,469	24,448	25,419	26,414	27,437	28,490	29,566	30,674	31,803	32,959	34,176
20	Accumulated Unrealized Gain(Loss)	1,645	1,225	3,178	4,025	4,882	4,959	5,252	5,527	5,506	5,814	6,104	6,046
21	Reserved - Ending Bal	24,094	24,920	28,346	29,704	31,050	32,396	33,742	35,093	36,180	37,617	39,062	40,222
22													
23	ERA Begin Bal	1,136	100	706	1,098	1,592	1,799	1,187	472	0	0	0	0
24	Realized Gain(Loss)	355	1,336	1,603	1,796	1,969	2,112	2,197	2,331	2,617	2,373	2,497	2,950
25	Informational only Income Available for Distribution			997	1,123	1,482	1,851	2,032	2,185	2,357	2,442	2,523	2,682
26	Transfer to Dividend Fund	(691)	(561)	(499)	(561)	(741)	(926)	(1,016)	(1,093)	(1,179)	(1,221)	(1,262)	(1,341)
27	Inflation Proofing/Special/Other	(700)	(169)	(712)	(740)	(769)	(799)	(830)	(861)	(893)	(926)	(960)	(995)
28	subtotal	100	706	1,098	1,592	2,050	2,186	1,538	849	545	226	276	614
29	Draw for Fiscal Gap	0	0	0	0	(252)	(999)	(1,066)	(849)	(545)	(226)	(276)	(614)
30	ERA - Ending Bal	100	706	1,098	1,592	1,799	1,187	472	0	0	0	0	0
31	Market Value - Ending Bal	24,194	27,626	29,443	31,296	32,848	33,583	34,214	35,093	36,180	37,617	39,062	40,222
32	Fiscal Gap After ERA Draw	0	0	0	0	0	0	0	(314)	(755)	(1,186)	(1,233)	(1,032)

	(millions)	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
1	MODEL												
2	General Fund												
3	Unrestricted GF Revenue	2,046	2,023	1,736	1,492	1,435	1,442	1,424	1,347	1,291	1,231	1,187	1,103
4	GF Budget	(2,196)	(2,301)	(2,301)	(2,347)	(2,394)	(2,441)	(2,490)	(2,540)	(2,591)	(2,643)	(2,696)	(2,749)
5	Fiscal (Gap)/Surplus	(449)	(278)	(565)	(855)	(959)	(999)	(1,066)	(1,193)	(1,300)	(1,412)	(1,509)	(1,647)
6	Draw from CBR	449	278	565	855	959	999	1,066	1,193	1,300	673	438	769
6	Fiscal Gap After CBR Draw	0	0	0	0	0	0	0	0	0	(738)	(1,071)	(878)
7	CBR Fund												
8	Beginning CBR balance	2,380	2,097	1,899	2,534	2,473	2,221	1,825	1,344	775	251	0	0
9	Settlements	22	20	20	19	9	0	0	0	0	0	0	0
10	Earnings	144	59	80	120	116	104	86	63	36	12	0	0
11	Transfer from ERA	0	0	1,100	655	582	499	500	561	739	411	438	769
12	CBR (Draw)/Payback	(449)	(278)	(565)	(855)	(959)	(999)	(1,066)	(1,193)	(1,300)	(673)	(438)	(769)
13	Ending CBR balance	2,097	1,899	2,534	2,473	2,221	1,825	1,344	775	251	0	0	0
14	Permanent Fund												
15	Market Value - Begin Bal	23,525	24,194	27,626	28,344	29,467	30,573	31,674	32,777	33,893	34,758	35,962	37,177
16	Principal - Begin Bal	21,884	22,988	23,469	24,196	24,947	25,722	26,522	27,349	28,202	29,087	29,995	30,933
17	Dedicated Revenue	398	300	252	213	205	202	199	189	182	173	164	180
18	Other/Special Appropriations	354	12	15	18	20	22	24	26	33	29	32	42
19	Inflation Proofing	352	169	460	520	550	576	603	638	671	706	742	755
20	Principal - Ending Bal	22,988	23,469	24,196	24,947	25,722	26,522	27,349	28,202	29,087	29,995	30,933	31,909
21	Accumulated Unrealized Gain(Loss)	1,106	3,451	3,898	4,270	4,601	4,902	5,178	5,441	5,421	5,717	5,994	5,939
22	Reserved - Ending Bal	24,094	26,920	28,094	29,217	30,323	31,424	32,527	33,643	34,508	35,712	36,927	37,848
23													
24	ERA Begin Bal	1,136	100	706	250	250	250	250	250	250	250	250	250
25	Realized Gain(Loss)	355	1,336	1,603	1,729	1,854	1,966	2,072	2,233	2,528	2,280	2,388	2,808
26	Transfer to Dividend Fund	(691)	(561)	(499)	(554)	(722)	(891)	(968)	(1,035)	(1,119)	(1,163)	(1,209)	(1,285)
27	<i>Informational only</i> Inflation proofing calculation	na	na	712	733	755	778	802	827	853	879	906	935
28	Inflation Proofing Transfer	(700)	(169)	(460)	(520)	(550)	(576)	(603)	(638)	(671)	(706)	(742)	(755)
29	subtotal	100	706	1,350	905	832	749	750	811	989	661	688	1,019
30	Transfer to CBR	na	na	(1,100)	(655)	(582)	(499)	(500)	(561)	(739)	(411)	(438)	(769)
31	ERA - Ending Bal	100	706	250	250	250	250	250	250	250	250	250	250
32	Market Value - Ending Bal	24,194	27,626	28,344	29,467	30,573	31,674	32,777	33,893	34,758	35,962	37,177	38,098

OUTPUT - Status Quo vs Model													
	(millions)	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
1	Total Paid Applicants (thousands)	587	593	600	607	613	620	628	635	642	649	656	663
2	Per Capita Dividends												
3	Status Quo	na	na	\$ 831.28	\$ 925.52	\$ 1,208.24	\$ 1,492.03	\$ 1,619.07	\$ 1,721.01	\$ 1,836.58	\$ 1,882.01	\$ 1,923.16	\$ 2,021.59
4	Model	na	na	\$ 831.28	\$ 913.91	\$ 1,177.06	\$ 1,436.44	\$ 1,543.22	\$ 1,629.83	\$ 1,742.74	\$ 1,792.72	\$ 1,840.68	\$ 1,937.22
5	diff			\$ -	\$ (11.61)	\$ (31.18)	\$ (55.60)	\$ (75.85)	\$ (91.17)	\$ (93.84)	\$ (89.29)	\$ (82.48)	\$ (84.37)
6													
7	Permanent Fund Ending Market Value												
8	Status Quo	na	na	29,443	31,296	32,848	33,583	34,214	35,093	36,180	37,617	39,062	40,222
9	Model	na	na	28,344	29,467	30,573	31,674	32,777	33,893	34,758	35,962	37,177	38,098
10	diff			(1,100)	(1,629)	(2,275)	(1,909)	(1,437)	(1,200)	(1,422)	(1,655)	(1,886)	(2,124)
11													
12	Permanent Fund Principal												
13	Status Quo	na	na	24,448	25,419	26,414	27,437	28,490	29,566	30,674	31,803	32,959	34,176
14	Model	na	na	24,196	24,947	25,722	26,522	27,349	28,202	29,087	29,395	30,933	31,909
15	diff			(252)	(473)	(692)	(914)	(1,141)	(1,364)	(1,587)	(1,808)	(2,026)	(2,267)
16													
17	Permanent Fund ERA												
18	Status Quo	na	na	1,098	1,592	1,799	1,187	472	0	0	0	0	0
19	Model	na	na	250	250	250	250	250	250	250	250	250	250
20	diff			(848)	(1,342)	(1,549)	(937)	(222)	250	250	250	250	250
21													
22	Accumulated Unrealized Gain												
23	Status Quo	na	na	3,898	4,285	4,636	4,959	5,252	5,527	5,506	5,814	6,104	6,046
24	Model	na	na	3,898	4,270	4,601	4,902	5,178	5,441	5,421	5,717	5,994	5,939
25	diff			0	(14)	(35)	(57)	(74)	(86)	(85)	(97)	(110)	(107)
26													
27	"Effective Inflation Proofing"												
28	Status Quo	na	na	4.2%	4.0%	3.9%	3.9%	3.8%	3.8%	3.7%	3.7%	3.6%	3.7%
29	Model	na	na	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
30	diff			-1.1%	-0.9%	-0.9%	-0.8%	-0.8%	-0.8%	-0.7%	-0.7%	-0.6%	-0.7%
31													
32	Fiscal Gap "After CBR Draw"												
33	Status Quo	na	na	0	0	(252)	(999)	(1,066)	(1,193)	(1,300)	(1,412)	(1,509)	(1,647)
34	Model	na	na	0	0	0	0	0	0	0	(736)	(1,071)	(878)
35				0	0	252	999	1,066	1,193	1,300	673	438	769



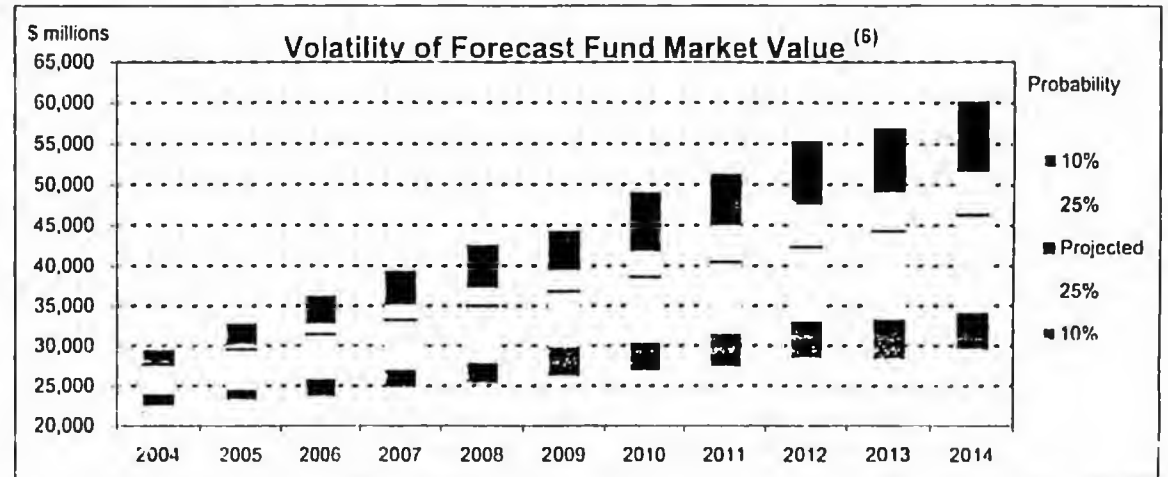
ALASKA PERMANENT FUND FINANCIAL PROJECTIONS 2004 - 2014 as of December 31, 2003

Long-term projections will extend ten years, based on best available information (in millions)

Reserved Fund Balance										Unreserved Fund Balance							TOTAL FUND (5) FY End Balance							
FY	FY Begin Contrib. Balance	Appro- priations	Dedicated State Revenues	Inflation Proofing	FY End Contributions Balance	Unrealized Gain (Loss)		FY End Reserved Balance	Acct. Net Income (1)	Statutory Net Income	Distributions of Statutory Net Income			Realized Earnings Acct		FY								
						Change	FY End Balance				Dividends	Inflation Proofing	General Fund	Net Change	FY End Balance									
77-96	0	5,870	5,711	4,624	16,205	2,084	2,084	18,289	14,134	14,054	5,993	4,624	223	104	104	77-96		18,393						
97	16,205	829	308	486	17,828	1,085	3,169	20,997	3,149	2,036	747	486	1	3	107	97	21,104							
98	17,828	35	230	423	18,516	802	3,971	22,487	3,435	2,595	893	423	1	1,282	1,389	98	23,876							
99	18,516	41	155	288	19,000	(430)	3,541	22,541	2,148	2,544	1,045	288	3	1,201	2,590	99	25,131							
00	19,000	281	310	423	20,014	(12)	3,529	23,543	2,249	2,222	1,172	423	3	382	2,972	00	26,515							
01	20,014	7	339	686	21,046	(2,146)	1,383	22,429	(924)	1,199	1,113	686	4	(598)	2,384	01	24,813							
02	21,046	(23) (3)	258	603	21,884	(878)	505	22,389	(617)	257	926	602	4	(1,248)	1,136	02	23,525							
03	21,884	354 (7)	398	352	22,988	601	1,106	24,094	963	355	697 (7)	352	0	(1,035)	100	03	24,194							
04	22,988	12	300	0 (7)	23,301	3,451	3,451	26,752	3,668	3,317	2,561	0 (7)	0	750	1,602	04	27,602							
05	23,301	15	252	613	24,180	450	3,902	28,082	2,067	1,601	496	613	0	493	1,343	05	29,424							
06	24,180	18	213	635	25,045	391	4,292	29,337	2,203	1,794	558	635	0	602	1,944	06	31,282							
07	25,045	20	205	657	25,927	356	4,648	30,575	2,343	1,967	738	657	0	572	2,516	07	33,091							
08	25,927	22	202	680	26,831	329	4,977	31,808	2,479	2,128	924	680	0	524	3,040	08	34,848							
09	26,831	24	199	703	27,757	308	5,285	33,042	2,611	2,279	1,026	703	0	549	3,589	09	36,632							
10	27,757	26	189	727	28,700	290	5,576	34,275	2,745	2,428	1,113	727	0	588	4,177	10	33,453							
11	28,700	33	182	752	29,667	(13)	5,557	35,223	2,881	2,867	1,225	752	0	890	5,067	11	40,291							
12	29,667	29	173	777	30,646	347	5,904	36,550	3,019	2,643	1,296	777	0	570	5,637	12	42,187							
13	30,646	32	164	802	31,644	329	6,233	37,877	3,161	2,800	1,367	802	0	631	6,268	13	44,146							
14	31,644	42	180	828	32,694	(65)	6,167	38,861	3,309	3,334	1,478	828	0	1,028	7,296	14	46,157							
Cumulative Totals Projected for 2004-2014										2,259	7,174								30,486	25,152	10,782	7,174	0	

Assumptions:	Total Return	- Inflation	= Total Real Return
FY 2004	15.16%	2.28%	12.88%
FY 2005-2014 (4)	7.60%	2.60%	5.00%

- (1) Accounting net income is statutory net income plus the net change in unrealized gains (losses) and settlement earnings.
- (2) Earnings reserve appropriated to principal and settlement earnings transferred to principal per AS 37.13.145(d).
- (3) Final reconciliation on State of AK royalty case.
- (4) Based on 2003 Callan capital market assumptions and median expected returns. Actual results will vary from projections.
- (5) Total Fund equals reserved fund balance plus the realized earnings account.
- (6) The MOMA volatility graph shows the range of possible outcomes with the extremes of the bars indicating the less likely probability.
- (7) \$354 of FY04's projected inflation proofing of \$531 was prefunded in FY03. Currently there is no FY04 appropriation for the remaining \$177 balance.



distributed by Sen B. Stevens

3/29/04

SB

376

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSB 376(HES)
 (S) Publish Date: 4/19/04
 Dept. Affected: Health & Social Services
 RDU Public Assistance
 Component Public Assistance Admin

Revision Date/Time (Note if correction):
 Title PUBLIC ASSISTANCE AND SUBPOENA POWERS

Sponsor SENATE (HES)
 Requester SENATE (HES)

Component No. 233

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	5.5	5.5	5.5	5.5	5.5	5.5
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	5.5	5.5	5.5	5.5	5.5	5.5

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other 1156 Receipt Services Funds	5.5	5.5	5.5	5.5	5.5	5.5
Other(Specify Type-do not abbreviate)						
TOTAL	5.5	5.5	5.5	5.5	5.5	5.5

Estimate of any current year (FY2004) cost: _____

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The addition of subpoena power will strengthen the Department's efforts to combat recipient welfare fraud in those cases that are not currently cost-effective to pursue due to associated costs of going to court to obtain a subpoena. Subpoena power will equip the Department to conduct more thorough investigations of questionable welfare applications and efficiently collect information needed to prosecute individuals receiving benefits fraudulently. Subpoena power will allow the Department to pursue approximately 16 additional Food Stamp fraud cases per year. The average amount recovered in each Food Stamp case is approximately \$977. Food Stamps are 100% federally funded, but recovery rules allow the state to retain 35% of fraudulently obtained benefits.

$\$977 \times 16 = \$15,632 / .35 = \$5,471$

Prepared by: Angela Salerno
 Division: Public Assistance
 Approved by: Joel S. Gilbertson, Commissioner
 Agency: Department of Health and Social Services

Phone 465-3200
 Date/Time 03/31/2004
 Date 04/01/2004

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSSB 376(HES)
 (S) Publish Date: 4/19/04
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction):

Title PUBLIC ASSISTANCE AND SUBPOENA POWERS

RDU Public Assistance

Component ATAP

Sponsor SENATE (HES)

Requester SENATE (HES)

Component No. 220

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	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)
Miscellaneous						
TOTAL OPERATING	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (0)						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)

Estimate of any current year (FY2004) cost: _____

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The addition of subpoena power will strengthen the Department's efforts to combat recipient welfare fraud in those cases that are not currently cost-effective to pursue due to associated costs of going to court to obtain a subpoena. Subpoena power will equip the Department to conduct more thorough investigations of questionable welfare applications and efficiently collect information needed to prosecute individuals receiving benefits fraudulently. Subpoena power will allow the Department to pursue approximately 12 additional ATAP fraud cases per year. The average amount recovered in each ATAP case is approximately \$2,090.

$\$2,090 \times 12 = \$25,080$

Prepared by: Angela Salerno
 Division: Public Assistance
 Approved by: Joel S. Gilbertson, Commissioner
 Agency: Department of Health and Social Services

Phone 465-3200
 Date/Time 03/31/2004
 Date 04/01/2004

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: CSSB 376(HES)
 (S) Publish Date: 5/1/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Public Assistance and Subpoena RDU Revenue Programs & Services
Power Component Permanent Fund Dividend
 Sponsor Senate HES Committee
 Requester Senate Finance Committee Component No. 981

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Permanent Fund Dividend Fund						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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						0
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill provides specific subpoena power to compel the production of information necessary as evidence in an investigation of possible permanent fund dividend application fraud. Subpoena power is expected to facilitate more efficient and effective investigations.

Regrettably, the dividend program has its share of applicants who fraudulently seek dividends. These applicants include people who apply on behalf of deceased spouses and children, parents applying for children who are not in their custody, and those who steal the identity of others. The division has responsibility to assure that fraud is identified, prosecuted, and deterred to the extent possible.

Prepared by: Sharon Barton Phone 465-4785
 Division Permaner: Fund Dividend Date/Time 4/21/04 11:53 AM
 Approved by: Steve Porter, Deputy Commissioner Date 4/21/2004
 Agency Department of Revenue

FISCAL NOTE #3

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSSB 376(HES)

ANALYSIS CONTINUATION

A year ago, the division hired a new investigator, and we are in the process of developing an aggressive fraud program. In less than nine months, our single new investigator worked over 950 fraud tips received from the public and from other governmental agencies and as a result denied or assessed 420 applicants for a total of \$590.6. The division also conducted selective audits of categories of applicants that we had reason to think may include a high incidence of fraud. Last year, we audited all applicants who had refused jury duty, stating that they were no longer residents of the state and all applications mailed in from out of state. We denied or assessed another 450 applicants for a total of \$505.0 as a result of these audits. This year, we continue to follow up on all fraud tips, will repeat the two audits mentioned above, and we have planned a new audit of applicants using private mail box addresses.

To maximize our staff of one, we have established cooperative working relationships with federal, state, and local law enforcement agencies, and other state fraud units. We have recently received eager commitments from the US Office of the Inspector General to take any of our identity theft cases involving the use of a social security number, from the US Department of Justice to take any cases of identity theft involving stolen passports, and from the US Postal Inspector to press a class action suit of the cases that result from our private mailbox audit.

To be even more effective, we need specific subpoena power. Individuals are not always forthcoming with the information about themselves that we need to prove fraud; and sometimes public and private entities need a subpoena to be able to provide needed information about their clients. For example, we will need to subpoena the records of the private mail box entities to get the information we need to investigate possible fraud among that applicant group. Without specific authority, we would have to go to the court system on a case by case basis. This is a cumbersome process for both the PFD and for the court.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB376-DHSS-HCS-05-06-04
() Publish Date: _____

Revision Date/Time (Note if correction): _____
Title PUBLIC ASSISTANCE AND SUBPOENA POWERS

Dept. Affected: Health & Social Services
RDU Health Care Services
Component Medicaid Services

Sponsor SENATE (HES)
Requester SENATE (HES)

Component No. 2077

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	(5.7)	(5.7)	(5.7)	(5.7)	(5.7)	(5.7)
Miscellaneous						
TOTAL OPERATING	(5.7)	(5.7)	(5.7)	(5.7)	(5.7)	(5.7)

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)
1003 GF Match	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	(5.7)	(5.7)	(5.7)	(5.7)	(5.7)	(5.7)

Estimate of any current year (FY2004) cost: _____

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The addition of subpoena power will strengthen the Department's efforts to combat recipient welfare fraud in those cases that are not currently cost-effective to pursue due to associated costs of going to court to obtain a subpoena. Subpoena power will equip the Department to conduct more thorough investigations of questionable welfare applications and efficiently collect information needed to prosecute individuals receiving benefits fraudulently. Subpoena power will allow the Department to pursue approximately 2 additional Medicaid fraud cases per year. The average amount recovered in each Medicaid case is approximately \$2,869.

$\$2,869 \times 2 = \$5,738$

Prepared by: Dwayne Peoples, Director
Division: Health Care Services
Approved by: Joel S. Gilbertson, Commissioner
Agency: Department of Health and Social Services

Phone 465-5830
Date/Time 03/03/2004
Date 05/06/2004



Health, Education, and Social Services Committee Alaska State Senate

SPONSOR STATEMENT

SB 376—*"An Act relating to public assistance and subpoena powers; and relating to the permanent fund dividend and subpoena powers "*

This bill authorizes the Commissioners of the Department of (1) Health and Social Services and (2) Revenue to issue subpoenas to compel the production of records needed to investigate cases of suspected fraud. The Alaska Department of Labor currently has this type of subpoena power, as do many agencies in other states.

The Division of Public Assistance Fraud Control Unit reports that records such as rental agreements, utility billings or health care information are often used to verify information provided by public assistance applicants or recipients. Simple requests for these items often go unheeded due to concerns about exposure to litigation. Currently, the cost of going to court to get subpoenas for these types of records makes investigating "smaller" fraud cases prohibitively expensive — the projected amount saved or recovered is less than the cost of getting the needed subpoenas. By allowing the Department to issue their own subpoenas, the costs of going to court are eliminated, and the Department will cost-effectively investigate more cases of suspected fraud. Subpoena power will equip the Department to conduct more thorough investigations of questionable welfare applications and efficiently collect information needed to prosecute individuals receiving benefits fraudulently. This will result in additional recovery of welfare overpayments.

The Permanent Fund Division recently hired one fraud investigator to address fraudulent applications. Within the first year, the fraud investigator examined tips from the public and from governmental agencies, resulting in identification of 420 cases of fraud, corresponding to \$590,600. In addition, selective audits were performed of applicant categories suspected of having a high incidence of fraud. Also, audits were performed on PFD applicants who had also refused jury duty, stating that they no longer lived in Alaska. As a result of these additional audits, another 450 cases of fraud were identified, corresponding to \$505,000. The one-person staff working to combat PFD fraud has begun an aggressive fraud program, aimed to assure that fraud is identified, prosecuted, and deterred to the extent possible.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

STATE OF ALASKA

DEPARTMENT OF REVENUE

PERMANENT FUND DIVIDEND DIVISION

FRANK MURKOWSKI, GOVERNOR

State Office Building
PO Box 110460
Juneau, AK 99811-0460
Telephone : 907-465-2323
Fax : 907-465-2098

April 19, 2004

The Honorable Fred Dyson
Alaska State Legislature
State Capitol Building
Juneau, AK 998091

Dear Senator Dyson:

Thank you for the opportunity to present our case for subpoena authority for the Permanent Fund Dividend Program.

Regrettably, the dividend program has its share of applicants who fraudulently seek dividends. These applicants include people who apply on behalf of deceased spouses and children, parents applying for children who are not in their custody, and those who steal the identity of others. The division has responsibility to assure that fraud is identified, prosecuted, and deterred to the extent possible.

A year ago, the division hired a new, very competent, investigator and we are in the process of developing an aggressive fraud program. In less than nine months, our single new inspector worked over 950 fraud tips received from the public and from other governmental agencies and as a result denied or assessed 420 applicants for a total of \$590.6. The division also conducted selective audits of categories of applicants that we had reason to think may include a high incidence of fraud. Last year, we audited all applicants who had refused jury duty, stating that they were no longer residents of the state and all applications mailed in from out of state. We denied or assessed another 450 applicants for a total of \$505.0 as a result of these audits. This year, we continue to follow up on all fraud tips, will repeat the two audits mentioned above, and we have planned a new audit of applicants using private mail box addresses.

To maximize our staff of one, we have established cooperative working relationships with federal, state, and local law enforcement agencies, and other state fraud units. We have recently received eager commitments from the US Office of the Inspector General to take any of our identity theft cases involving the use of a social security number, from the US Department of Justice to take any cases of identity theft involving stolen pass ports, and from the US Postal Inspector to press a class action suit of the cases that result from our private mail box audit.

Senator Dyson


April 19, 2004

Page 2

To be even more effective, we need specific subpoena power. Individuals are not always forthcoming with the information about themselves that we need to prove fraud; and sometimes public and private entities need a subpoena to be able to provide needed information about their clients. For example, we will need to subpoena the records of the private mail box entities to get the information we need to investigate possible fraud among that applicant group. Without specific authority, we would have to go to the court system on a case by case basis. This is a cumbersome process for both the PFD and for the court.

We look forward to working with you and your staff on this proposed legislation.

Sincerely,



Sharon Burton
Director

cc: Mike Tibbles
Steve Porter
Landa Baily
Tony Lombardo

MEMORANDUM

Division Of Public Assistance

Program Integrity and Analysis, Fraud Control Unit

STATE OF ALASKA

Department of Health and
Social Services

TO: Anthony Lombardo
Director, Division of Public Assistance

DATE: February 3, 2004

THRU:: Jim Dalman
Chief, Program Integrity & Analysis

FILE: Subpoena DT Mem

FROM: Jay Marley
Manager, Fraud Control Unit

PHONE: 269-1050

SUBJECT: Subpoena Deuces Tecum power for the Fraud Control Unit

The Division of Public Assistance, Fraud Control Unit (FCU) is seeking statutory authority to enhance the ability to obtain needed information relating to welfare fraud investigations. Subpoena Deuces Tecum power is a common tool for many states fraud control staff, and it is used by other agencies in Alaska as well. This memorandum provides supporting rationale for the department to pursue authority for this activity, and sample language from the Department of Labor.

1. The FCU relies on a variety of information sources in the conduct of welfare fraud investigations. Sources include banks, employers, landlords, various state and federal agencies, and the general public. A routine problem faced by the investigators of this unit is a reticence on the part of these sources to provide the information needed, and to do so in a timely manner. Part of the reticence stems from concerns of legal and civil repercussions as a result of their provision of information to the Division. This issue significantly contributes to the unit's current backlog of over 1000 cases and the ability to do more criminally prosecutions.
2. Cases in which the unit determines that fraud has occurred are processed for administrative sanctions, and may also be sent to the Department of Law for criminal prosecution. In either case, the evidence submitted must be considered credible. Part of a credibility determination relies on how the information was obtained, the source of the information, and motives for the provision of the evidence.
3. The Subpoena Deuces Tecum addresses both of the above concerns. Information provided under subpoena holds the provider harmless, creates an incentive to provide accurate information in a timely manner, and lends credibility to the information so acquired. Furthermore it is a tool commonly granted to Administrative and Criminal Law investigators in most state and federal agencies. (In Alaska, these include: CSED, Gaming Unit, Insurance Fraud, Occupational Licensing, Wage and Hour investigators, Workers Compensation investigators, UI investigators, and PFD investigators.)
4. This is an essential investigative tool. We have a mission to deter Public Assistance fraud through administrative and criminal procedures. Without the convenient power to subpoena information the investigators of this unit are severely hampered in accomplishing their goals.

SB 376 – Public Assistance Subpoena Powers

Summary

- ◆ This bill authorizes the Commissioner of the Department of Health and Social Services, or a designee at the Director level, to issue subpoenas to compel the production of records, (subpoenas duces tecum). These subpoenas are needed to investigate cases of suspected recipient welfare fraud. The Alaska Department of Labor currently has this type of subpoena power, as do many agencies in other states.
- ◆ Records such as rental agreements, utility billings or bank information are often used to verify information provided by public assistance applicants or recipients. Simple requests for these items often go unheeded due to concerns about confidentiality. Many institutions request or require a subpoena duces tecum, simply to deflect any potential liability for disclosure of customer information to a third party.
- ◆ Currently, the cost of going to the Attorney General's office to get subpoenas for these types of records makes investigating "smaller" fraud cases expensive and time consuming– most often the projected amount saved or recovered is less than the cost of getting the needed subpoenas and the staff time expended in the process.
- ◆ By allowing senior Department officials to issue these subpoenas, the time consuming, inter-agency process and associated legal costs are eliminated. The Department will cost-effectively investigate more cases of suspected fraud, insuring good program integrity.
- ◆ Subpoena power will equip the Department to conduct more thorough investigations of questionable welfare applications and efficiently collect information needed to prosecute individuals receiving benefits fraudulently.
- ◆ This will result in some additional recovery of welfare overpayments. Equally important, regular investigations of misleading, contradictory or suspicious client information, irrespective of the amount at stake, are good for program integrity. The state's fiduciary responsibilities and reputation as program administrator are safeguarded as individual recipients and the general public become increasingly aware that the program is closely watched.
- ◆ Urban legends and misinformation about "welfare cheats" are challenged by increased public awareness that the program is well managed and real cheaters get caught.

SB

376

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
 APR 30 2004
 SENATE FINANCE
 COMMITTEE

DATE: 04/19/04

FURTHER:

DATE TURNED IN TO OFFICE: 30 April 2004

Finance Committee considered

SENATE BILL NO. 376

SB 376 PUBLIC ASSISTANCE AND SUBPOENA POWER

"An Act relating to public assistance and subpoena powers."

and recommends:

[] be replaced with _____ CS _____ (_____)

[x] adopt previous _____ CS SB 376 (HES)

[] attached amendment(s)

[] adopt Letter of Intent by _____ Committee

[] further referral to _____ Committee

Senate Bill:
 Same Title
 New Title

House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero.	FN#
Revenue	4/2/04			✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero.	FN#
HES ^{Fiscal}	4/1/04	5.5			#1
HES-APP	4/1/04	(25.1)			#2

[] APPROPRIATION - no fiscal note

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

APR 30 2004

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSB 376(HES) SENATE FINANCE
 (S) Publish Date: 4/19/04 COMMITTEE
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction):
 Title PUBLIC ASSISTANCE AND SUBPOENA
POWERS

RDU Public Assistance

Sponsor SENATE (HES)

Component Public Assistance Admin

Requester SENATE (HES)

Component No. 233

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	5.5	5.5	5.5	5.5	5.5	5.5
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	5.5	5.5	5.5	5.5	5.5	5.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other 1156 Receipt Services Funds	5.5	5.5	5.5	5.5	5.5	5.5
Other(Specify Type-do not abbreviate)						
TOTAL	5.5	5.5	5.5	5.5	5.5	5.5

Estimate of any current year (FY2004) cost: _____

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The addition of subpoena power will strengthen the Department's efforts to combat recipient welfare fraud in those cases that are not currently cost-effective to pursue due to associated costs of going to court to obtain a subpoena. Subpoena power will equip the Department to conduct more thorough investigations of questionable welfare applications and efficiently collect information needed to prosecute individuals receiving benefits fraudulently. Subpoena power will allow the Department to pursue approximately 16 additional Food Stamp fraud cases per year. The average amount recovered in each Food Stamp case is approximately \$977. Food Stamps are 100% federally funded, but recovery rules allow the state to retain 35% of fraudulently obtained benefits.

$\$977 \times 16 = \$15,632 / .35 = \$5,471$

Prepared by: Angela Salerno
 Division Public Assistance
 Approved by: Joel S. Gilbertson, Commissioner
 Agency Department of Health and Social Services

Phone 465-3200
 Date/Time 03/31/2004
 Date 04/01/2004

COMMITTEE COPY

APR 30 2004

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSSB 376(HES) SENATE FINANCE
(S) Publish Date: 4/19/04 COMMITTEE

Revision Date/Time (Note if correction):

Dept. Affected: Health & Social Services

Title PUBLIC ASSISTANCE AND SUBPOENA POWERS

RDU Public Assistance

Component ATAP

Sponsor SENATE (HES)

Requester SENATE (HES)

Component No. 220

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	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)
Miscellaneous						
TOTAL OPERATING	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)

Estimate of any current year (FY2004) cost: _____

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The addition of subpoena power will strengthen the Department's efforts to combat recipient welfare fraud in those cases that are not currently cost-effective to pursue due to associated costs of going to court to obtain a subpoena. Subpoena power will equip the Department to conduct more thorough investigations of questionable welfare applications and efficiently collect information needed to prosecute individuals receiving benefits fraudulently. Subpoena power will allow the Department to pursue approximately 12 additional ATAP fraud cases per year. The average amount recovered in each ATAP case is approximately \$2,090.

\$2,090 x 12 = \$25,080

Prepared by: Angela Salerno
Division: Public Assistance
Approved by: Joel S. Gilbertson, Commissioner
Agency: Department of Health and Social Services

Phone 465-3200
Date/Time 03/31/2004
Date 04/01/2004

COMMITTEE COPY

APR 30 2004

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 376(HES)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Public Assistance and Subpoena RDU Revenue Programs & Services
Power Component Permanent Fund Dividend
Sponsor Senate HES Committee
Requester Senate Finance Committee Component No. 981

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Permanent Fund Dividend Fund						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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						0
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill provides specific subpoena power to compel the production of information necessary as evidence in an investigation of possible permanent fund dividend application fraud. Subpoena power is expected to facilitate more efficient and effective investigations.

Regrettably, the dividend program has its share of applicants who fraudulently seek dividends. These applicants include people who apply on behalf of deceased spouses and children, parents applying for children who are not in their custody, and those who steal the identity of others. The division has responsibility to assure that fraud is identified, prosecuted, and deterred to the extent possible.

Prepared by: Sharon Barton Phone 465-4785
Division Permanent Fund Dividend Date/Time 4/21/04 11:53 AM
Approved by: Steve Porter, Deputy Commissioner Date 4/21/2004
Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSSB 376(HES)

ANALYSIS CONTINUATION

A year ago, the division hired a new investigator, and we are in the process of developing an aggressive fraud program. In less than nine months, our single new investigator worked over 950 fraud tips received from the public and from other governmental agencies and as a result denied or assessed 420 applicants for a total of \$590.6. The division also conducted selective audits of categories of applicants that we had reason to think may include a high incidence of fraud. Last year, we audited all applicants who had refused jury duty, stating that they were no longer residents of the state and all applications mailed in from out of state. We denied or assessed another 450 applicants for a total of \$505.0 as a result of these audits. This year, we continue to follow up on all fraud tips, will repeat the two audits mentioned above, and we have planned a new audit of applicants using private mail box addresses.

To maximize our staff of one, we have established cooperative working relationships with federal, state, and local law enforcement agencies, and other state fraud units. We have recently received eager commitments from the US Office of the Inspector General to take any of our identity theft cases involving the use of a social security number, from the US Department of Justice to take any cases of identity theft involving stolen passports, and from the US Postal Inspector to press a class action suit of the cases that result from our private mailbox audit.

To be even more effective, we need specific subpoena power. Individuals are not always forthcoming with the information about themselves that we need to prove fraud; and sometimes public and private entities need a subpoena to be able to provide needed information about their clients. For example, we will need to subpoena the records of the private mail box entities to get the information we need to investigate possible fraud among that applicant group. Without specific authority, we would have to go to the court system on a case by case basis. This is a cumbersome process for both the PFD and for the court.



Health, Education, and Social Services Committee Alaska State Senate

SPONSOR STATEMENT

SB 376—“An Act relating to public assistance and subpoena powers; and relating to the permanent fund dividend and subpoena powers ”

This bill authorizes the Commissioners of the Department of (1) Health and Social Services and (2) Revenue to issue subpoenas to compel the production of records needed to investigate cases of suspected fraud. The Alaska Department of Labor currently has this type of subpoena power, as do many agencies in other states.

The Division of Public Assistance Fraud Control Unit reports that records such as rental agreements, utility billings or health care information are often used to verify information provided by public assistance applicants or recipients. Simple requests for these items often go unheeded due to concerns about exposure to litigation. Currently, the cost of going to court to get subpoenas for these types of records makes investigating "smaller" fraud cases prohibitively expensive — the projected amount saved or recovered is less than the cost of getting the needed subpoenas. By allowing the Department to issue their own subpoenas, the costs of going to court are eliminated, and the Department will cost-effectively investigate more cases of suspected fraud. Subpoena power will equip the Department to conduct more thorough investigations of questionable welfare applications and efficiently collect information needed to prosecute individuals receiving benefits fraudulently. This will result in additional recovery of welfare overpayments.

The Permanent Fund Division recently hired one fraud investigator to address fraudulent applications. Within the first year, the fraud investigator examined tips from the public and from governmental agencies, resulting in identification of 420 cases of fraud, corresponding to \$590,600. In addition, selective audits were performed of applicant categories suspected of having a high incidence of fraud. Also, audits were performed on PFD applicants who had also refused jury duty, stating that they no longer lived in Alaska. As a result of these additional audits, another 450 cases of fraud were identified, corresponding to \$505,000. The one-person staff working to combat PFD fraud has begun an aggressive fraud program, aimed to assure that fraud is identified, prosecuted, and deterred to the extent possible.

MEMORANDUM

Division Of Public Assistance

Program Integrity and Analysis, Fraud Control Unit

STATE OF ALASKA Department of Health and Social Services

TO: Anthony Lombardo
Director, Division of Public Assistance

DATE: February 3, 2004

THRU:: Jim Dalman
Chief, Program Integrity & Analysis

FILE: Subpoena DT Mem

FROM: Jay Marley
Manager, Fraud Control Unit

PHONE: 269-1050

SUBJECT: Subpoena Deuces Tecum power for the Fraud Control Unit

The Division of Public Assistance, Fraud Control Unit (FCU) is seeking statutory authority to enhance the ability to obtain needed information relating to welfare fraud investigations. Subpoena Deuces Tecum power is a common tool for many states fraud control staff, and it is used by other agencies in Alaska as well. This memorandum provides supporting rationale for the department to pursue authority for this activity, and sample language from the Department of Labor.

1. The FCU relies on a variety of information sources in the conduct of welfare fraud investigations. Sources include banks, employers, landlords, various state and federal agencies, and the general public. A routine problem faced by the investigators of this unit is a reticence on the part of these sources to provide the information needed, and to do so in a timely manner. Part of the reticence stems from concerns of legal and civil repercussions as a result of their provision of information to the Division. This issue significantly contributes to the unit's current backlog of over 1000 cases and the ability to do more criminally prosecutions.
2. Cases in which the unit determines that fraud has occurred are processed for administrative sanctions, and may also be sent to the Department of Law for criminal prosecution. In either case, the evidence submitted must be considered credible. Part of a credibility determination relies on how the information was obtained, the source of the information, and motives for the provision of the evidence.
3. The Subpoena Deuces Tecum addresses both of the above concerns. Information provided under subpoena holds the provider harmless, creates an incentive to provide accurate information in a timely manner, and lends credibility to the information so acquired. Furthermore it is a tool commonly granted to Administrative and Criminal Law investigators in most state and federal agencies. (In Alaska, these include: CSED, Gaming Unit, Insurance Fraud, Occupational Licensing, Wage and Hour investigators, Workers Compensation investigators, UI investigators, and PFD investigators.)
4. This is an essential investigative tool. We have a mission to deter Public Assistance fraud through administrative and criminal procedures. Without the convenient power to subpoena information the investigators of this unit are severely hampered in accomplishing their goals.