

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 2989

1 all persons in Alaska treated for drug and alcohol problems are treated for marijuana abuse;

2 (4) early exposure of young people to marijuana increases the likelihood of
3 lifelong health and social problems, makes it more likely that the person will later use more
4 potent illegal drugs, and is associated with depression and an increased risk of attempting
5 suicide;

6 (5) a high percentage of persons in treatment for alcohol abuse also abuse
7 marijuana, particularly among Alaska Natives; although the relationship between marijuana
8 and alcohol and other drugs is not fully understood, there is a correlative effect that makes it
9 more difficult to treat alcoholism when marijuana is also used;

10 (6) marijuana consists of hundreds of different chemicals and can affect
11 almost every organ and system in the body, including the lymph system, the heart, and the
12 lungs; THC binds to receptors in the brain that should otherwise bind to naturally occurring
13 brain chemicals; marijuana can affect memory, attention, judgment, and other cognitive
14 functions and can impair motor coordination, time perception, and balance; marijuana smoke
15 contains more carcinogenic hydrocarbons than tobacco smoke; marijuana often contains
16 bacteria or fungus that are dangerous to humans, and is harvested and sold without removing
17 pesticides and fungicides;

18 (7) a high percentage of persons arrested in this state, including adults and
19 juveniles who commit violent offenses, have marijuana in their system at the time of the
20 arrest: the percentage is particularly high for adults arrested for domestic violence who test
21 positive for marijuana at the time of the arrest;

22 (8) if a parent uses marijuana, their children are four to five times more likely
23 to become marijuana users; many high school students report that they have been able to get
24 marijuana at home or from a relative; criminal penalties for possession of marijuana in the
25 home will deter possession by adults and reduce its availability and accessibility to children;
26 studies have shown that criminal penalties for possession of marijuana are effective in
27 increasing the perception among teenagers of the risks of using the drug, thus reducing its use
28 by young people;

29 (9) in *Noy v. State*, 83 P.3d 538 (Alaska App. 2003), the Alaska court of
30 appeals allowed any person over 17 years of age to possess up to four ounces of marijuana in
31 their home; at the same time, the court held that possession of four ounces could legitimately

1 be prohibited even in the home because it was reasonable for the legislature to conclude in
2 1982 that possession of four ounces is indicative of an intent to sell; the street value of
3 marijuana today is between \$350 and \$550 per ounce; the legislature heard evidence that
4 possession of four ounces or more indicates an intent to distribute; and therefore this is the
5 appropriate amount to justify a felony offense; the Noy decision also led the same court in
6 Crocker v. State, 97 P.3d 93 (Alaska App. 2004) to invalidate search warrants for commercial
7 marijuana-growing and, in the words of the dissenting chief judge, make it "difficult for the
8 state to enforce legitimate laws prohibiting the sale and possession of marijuana."

9 * Sec. 3. AS 11.71.040(a) is amended to read:

10 (a) Except as authorized in AS 17.30, a person commits the crime of
11 misconduct involving a controlled substance in the fourth degree if the person

12 (1) manufactures or delivers any amount of a schedule IVA or VA
13 controlled substance or possesses any amount of a schedule IVA or VA controlled
14 substance with intent to manufacture or deliver;

15 (2) manufactures or delivers, or possesses with the intent to
16 manufacture or deliver, one or more preparations, compounds, mixtures, or substances
17 of an aggregate weight of one ounce or more containing a schedule VIA controlled
18 substance;

19 (3) possesses

20 (A) any amount of a schedule IA or IIA controlled substance;

21 (B) 25 or more tablets, ampules, or syrettes containing a
22 schedule IIIA or IVA controlled substance;

23 (C) one or more preparations, compounds, mixtures, or
24 substances of an aggregate weight of three grams or more containing a
25 schedule IIIA or IVA controlled substance;

26 (D) 50 or more tablets, ampules, or syrettes containing a
27 schedule VA controlled substance;

28 (E) one or more preparations, compounds, mixtures, or
29 substances of an aggregate weight of six grams or more containing a schedule
30 VA controlled substance;

31 (F) one or more preparations, compounds, mixtures, or

1 substances of an aggregate weight of four ounces [ONE POUND] or more
2 containing a schedule VIA controlled substance; or

3 (G) 25 or more plants of the genus cannabis;

4 (4) possesses a schedule IIIA, IVA, VA, or VIA controlled substance

5 (A) with reckless disregard that the possession occurs

6 (i) on or within 500 feet of school grounds; or

7 (ii) at or within 500 feet of a recreation or youth center;

8 or

9 (B) on a school bus;

10 (5) knowingly keeps or maintains any store, shop, warehouse,
11 dwelling, building, vehicle, boat, aircraft, or other structure or place that is used for
12 keeping or distributing controlled substances in violation of a felony offense under this
13 chapter or AS 17.30;

14 (6) makes, delivers, or possesses a punch, die, plate, stone, or other
15 thing that [WHICH] prints, imprints, or reproduces a trademark, trade name, or other
16 identifying mark, imprint, or device of another or any likeness of any of these upon a
17 drug, drug container, or labeling so as to render the drug a counterfeit substance;

18 (7) knowingly uses in the course of the manufacture or distribution of a
19 controlled substance a registration number that is fictitious, revoked, suspended, or
20 issued to another person;

21 (8) knowingly furnishes false or fraudulent information in or omits
22 material information from any application, report, record, or other document required
23 to be kept or filed under AS 17.30;

24 (9) obtains possession of a controlled substance by misrepresentation,
25 fraud, forgery, deception, or subterfuge; or

26 (10) affixes a false or forged label to a package or other container
27 containing any controlled substance.

28 * Sec. 4. AS 11.71.050(a) is amended to read:

29 (a) Except as authorized in AS 17.30, a person commits the crime of
30 misconduct involving a controlled substance in the fifth degree if the person

31 (1) manufactures or delivers, or possesses with the intent to

1 manufacture or deliver, one or more preparations, compounds, mixtures, or substances
2 of an aggregate weight of less than one [ONE-HALF] ounce [OR MORE] containing
3 a schedule VIA controlled substance;

4 (2) manufactures or delivers, or possesses with the intent to
5 manufacture or deliver, one or more preparations, compounds, mixtures, or substances
6 of an aggregate weight of less than one-half ounce containing a schedule VIA
7 controlled substance, for remuneration;

8 (3) possesses

9 (A) less than 25 tablets, ampules, or syrettes containing a
10 schedule IIIA or IVA controlled substance;

11 (B) one or more preparations, compounds, mixtures, or
12 substances of an aggregate weight of less than three grams containing a
13 schedule IIIA or IVA controlled substance;

14 (C) less than 50 tablets, ampules, or syrettes containing a
15 schedule VA controlled substance;

16 (D) one or more preparations, compounds, mixtures, or
17 substances of an aggregate weight of less than six grams containing a schedule
18 VA controlled substance; or

19 (E) one or more preparations, compounds, mixtures, or
20 substances of an aggregate weight of one ounce [ONE-HALF POUND] or
21 more containing a schedule VIA controlled substance; or

22 (4) fails to make, keep, or furnish any record, notification, order form,
23 statement, invoice, or information required under AS 17.30.

24 * Sec. 5. AS 11.71.060(a) is amended to read:

25 (a) Except as authorized in AS 17.30, a person commits the crime of
26 misconduct involving a controlled substance in the sixth degree if the person

27 (1) uses or displays any amount of a schedule VIA controlled
28 substance;

29 (2) [OR] possesses one or more preparations, compounds, mixtures, or
30 substances of an aggregate weight of less than one ounce [ONE-HALF POUND]
31 containing a schedule VIA controlled substance;

1 or

2 (3) [(2)] refuses entry into a premise for an inspection authorized under
3 AS 17.30.

4 * Sec. 6. AS 11.71.080 is amended to read:

5 Sec. 11.71.080. Aggregate weight of live marijuana plants. For purposes of
6 calculating the aggregate weight of a live marijuana plant, the aggregate weight shall
7 be one-sixth of the measured weight of the marijuana plant after the roots of the
8 marijuana plant have been removed [WHEN REDUCED TO ITS COMMONLY
9 USED FORM].

10 * Sec. 7. AS 12.55.135 is amended by adding a new subsection to read:

11 (k) A court may not impose a sentence of imprisonment or suspended
12 imprisonment for possession of marijuana in violation of AS 11.71.060 if the
13 defendant alleges, and the court finds, that the defendant was not under formal or
14 informal probation or parole conditions in this or another jurisdiction at the time of the
15 offense; that the defendant possessed the marijuana for the defendant's personal use
16 within the defendant's permanent or temporary residence; and that the defendant has
17 not been previously convicted more than once in this or another jurisdiction for
18 possession of marijuana. If the defendant has not been previously convicted as
19 described in this subsection, the maximum unsuspended fine that the court may
20 impose is \$500. If the defendant has been previously convicted once as described in
21 this subsection, the maximum unsuspended fine that the court may impose is \$1,000.
22 In this subsection,

23 (1) "permanent or temporary residence" means a permanent structure
24 adopted for overnight accommodation; "permanent or temporary residence" does not
25 include

26 (A) vehicles, tents, prisons or other correctional facilities,
27 residential treatment facilities, or shelters operated by a charitable organization
28 or a government agency;

29 (B) any place where the defendant's possession or use of
30 marijuana violated established rules for residents, such as a ban on smoking or
31 a ban on marijuana or other controlled substances;

1 (2) "previously convicted" means the defendant entered a plea of
2 guilty, no contest, or nolo contendere, or has been found guilty by a court or jury,
3 regardless of whether the conviction was set aside under AS 12.55.085 or a similar
4 procedure in another jurisdiction, of possession of marijuana; "previously convicted"
5 does not include a judgment that has been reversed or vacated by a court.

6 * Sec. 8. AS 11.71.050(a)(2) is repealed.

7 * Sec. 9. The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 APPLICABILITY. For purposes of AS 12.55.135(k), enacted by sec. 7 of this Act,
10 "previously convicted" includes convictions as described in those provisions whether the
11 convictions occurred before, on, or after the effective date of this Act.

12 * Sec. 10. This Act takes effect immediately under AS 01.10.070(c).

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

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

MEMORANDUM

January 11, 2006

SUBJECT: CSSB 74(FIN) (Work Order No. 24-GS1054\Y)

TO: Senator Lyda Green
Senator Gary Wilken
Co-Chairs, Senate Finance Committee

FROM: Pam Finley *PF*
Revisor of Statutes

Enclosed is the CSSB 74(FIN) that you requested. For purposes of clarity, we have made one change to amendment #2: We inserted "for possession of marijuana" in the definition of "previously convicted" in AS 12.55.135(k), as added by bill sec. 7. The second and third sentences of (k) rely on this definition, and the definition did not clearly indicate that previous conviction had to be for possession of marijuana. Nevertheless, based on the first sentence, it appeared that the committee intended previous convictions to be for marijuana possession. If our belief is incorrect, please let Jerry Luckhaupt or me know and we will send over another draft.

Also, the fact that the sentencing reduction of AS 12.55.135(k) is not available to those who live in tents or cars because they cannot afford an apartment leaves the provision open to challenge on equal protection grounds.

PF:ljw
06-010.ljw

SENATE FINANCE
COMMITTEE

ADOPTED

Amendment Number: # 1
Bill Number: SB 74
Sponsor: Green Date: 1/9/06
Logged In By: Robin

24G-2
1/3/2006
(1:54 PM)

AMENDMENT #1

OFFERED IN THE SENATE FINANCE
COMMITTEE

BY _____

TO: CSSB 74(JUD)

1 Page 2, lines 4 - 7:

2 Delete "To carry out the intent of the voters and the legislature, it will ultimately be
3 necessary for the courts in Alaska to come to different conclusions about state statutes relating to
4 marijuana than those expressed in Noy v. State, 83 P.3d 538 (Alaska App. 2003), and Crocker v.
5 State, 97 P.3d 93 (Alaska App. 2004)."

6 Insert "The legislature has also considered its obligation to carry out the intent of the
7 voters of Alaska in recriminalizing marijuana by ballot initiative in 1990, and in defeating ballot
8 initiatives to again decriminalize marijuana in 2000 and 2004."

9

10 Page 4, line 3, following "sell;":

11 Insert "the street value of Alaska marijuana today is between \$350 and \$550 per ounce;
12 the legislature heard evidence that possession of four ounces or more indicates an intent to
13 distribute, and therefore this is the appropriate amount to justify a felony offense;"

14

15 Page 4, lines 4 - 5:

16 Delete "adopt requirements for search warrants to investigate marijuana-growing that"

17 Insert "invalidate search warrants for commercial marijuana-growing and"

18

19 Page 6, line 17:

20 Delete "[OR]"

21 Insert "or"

1

2 Page 6, line 20:

3 Delete "or"

4

5 Page 6, lines 21 - 23:

6 Delete "(F) one or more preparations, compounds, mixture, or substances containing
7 a schedule VIA controlled substance while driving or operating a motor vehicle, aircraft, or
8 motorized watercraft;"

9

10 Page 7, lines 3 - 9:

11 Delete the following material:

12 "(3) possesses one or more preparations, compounds, mixtures, or
13 substances containing a schedule VIA controlled substance while a passenger in a
14 motor vehicle, aircraft, or motorized watercraft;

15 (4) being the driver or operator of a motor vehicle, aircraft, or
16 motorized watercraft, knowingly permits a passenger to possess one or more
17 preparations, compounds, mixtures, or substances containing a schedule VIA
18 controlled substance;"

19

20 Page 7, line 10:

21 Delete "(5) [(2)]"

22 Insert "(2)"

SENATE FINANCE COMMITTEE
1/10/2006 COMMITTEE ACTION

Bill Number	SB 74		
Amendment	#1		
Motion	to adopt		
<u>Motion by</u>	Wilken		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	ADOPTED		

SENATE FINANCE
COMMITTEE

ADOPTED

Amendment Number: #2
Bill Number: SB 74
Sponsor: Green Date: 1/9/06
Logged In By: Robin

24G-2
1/5/2006
(8:25 AM)

AMENDMENT #2

OFFERED IN THE SENATE FINANCE
COMMITTEE
TO: CSSB 74(JUD)

BY _____

1 Page 7, following line 17:

2 Insert a new bill section to read:

3 " * Sec. 7. AS 12.55.135 is amended by adding a new subsection to read:

4 (k) A court may not impose a sentence of imprisonment or suspended
5 imprisonment for possession of marijuana in violation of AS 11.71.060 if the
6 defendant alleges, and the court finds, that the defendant was not under formal or
7 informal probation or parole conditions in this or another jurisdiction at the time of
8 the offense; that the defendant possessed the marijuana for the defendant's
9 personal use within the defendant's permanent or temporary residence; and that the
10 defendant has not been previously convicted more than once in this or another
11 jurisdiction for possession of marijuana. If the defendant has not been previously
12 convicted as described in this subsection, the maximum unsuspended fine that the
13 court may impose is \$500. If the defendant has been previously convicted once as
14 described in this subsection, the maximum unsuspended fine that the court may
15 impose is \$1,000. In this subsection,

16 (1) "permanent or temporary residence" means a permanent
17 structure adopted for overnight accommodation; "permanent or temporary
18 residence" does not include

19 (A) vehicles, tents, prisons or other correctional facilities,
20 residential treatment facilities, or shelters operated by a charitable

1 organization or a government agency;

2 (B) any place where the defendant's possession or use of
3 marijuana violated established rules for residents, such as a ban on smoking
4 or a ban on marijuana or other controlled substances;

5 (2) "previously convicted" means the defendant entered a plea of
6 guilty, no contest or nolo contendere, or has been found guilty by a court or jury,
7 regardless of whether the conviction was set aside under AS 12.55.085 or a similar
8 procedure in another jurisdiction; "previously convicted" does not include a
9 judgment that has been reversed or vacated by a court."

10 Renumber the following bill sections accordingly.

11

12 Page 7, following line 7:

13 Insert a new bill section to read:

14 "* Sec. 9. The uncodified law of the State of Alaska is amended by adding a new section
15 to read:

16 APPLICABILITY. For purposes of AS 12.55.135(k), enacted by sec. 7 of this Act,
17 "previously convicted" includes convictions as described in those provisions whether the
18 convictions occurred before, on, or after the effective date of the Act."

19

20 Renumber the following bill sections accordingly.

SENATE FINANCE COMMITTEE
1 / 10 / 2006 COMMITTEE ACTION

Bill Number	SB 74		
Amendment	#2		
Motion	to adopt		
<u>Motion by</u>	Wilken		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	PASSED		

Attention: Darwin
Of Senator Green's office
RE: Amend. #1 + #2 SB74
Date: 11/11/06 Time: 11:10 am

The attached Senate Finance CS incorporates the amendment(s) your boss sponsored. Please review and approve so the bill can be forwarded to the Senate Secretary.

The CS is your copy.

Thanks,
Senate Finance Secretary
Mindy #4935
Robin #2618

Approved: _____
(please initial)

Return ASAP

*Note:
Memo.
from
Legal.*

*Verbal
OK 11/11/06*

Our Proof

WORK DRAFT

WORK DRAFT

WORK DRAFT

24-GS1054\
Luckhaupt
1/11/06

CS FOR SENATE BILL NO. 74(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - SECOND SESSION
BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

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

A BILL
FOR AN ACT ENTITLED

1 "An Act making findings relating to marijuana use and possession; relating to
2 marijuana and misconduct involving a controlled substance; and providing for an
3 effective date."

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

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

7 PURPOSE. The purpose of this Act is to protect the health and safety of persons in
8 this state and to provide legislative findings concerning this Act regarding marijuana and its
9 effects in this state.

10 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 FINDINGS. The type of marijuana available in the United States and Alaska today,
13 and the changes in the patterns of usage of the drug, particularly by young Alaskans, Alaska
14 Natives and those undergoing alcohol treatment, pose a threat to the public health and welfare

1 that justifies prohibiting possession in this state, even by adults at home. In this Act, the
 2 legislature has considered its duty to implement the right to privacy in art. I, sec. 22,
 3 Constitution of the State of Alaska, and its duty to promote the public health and welfare in
 4 art. VII, sec. 4, Constitution of the State of Alaska. The legislature has also considered its
 5 obligation to carry out the intent of the voters of Alaska in recriminalizing marijuana by ballot
 6 initiative in 1990, and in defeating ballot initiatives to again decriminalize marijuana in 2000
 7 and 2004. To assist the courts in considering these issues, the legislature further finds that

Amend
 # 1

8 (1) the potency of marijuana has increased dramatically since the 1960s and
 9 1970s; the national average amount of delta-9-tetrahydrocannabinol (THC), the main
 10 psychoactive ingredient, was less than one percent then, but increased steadily in the 1980s
 11 and 1990s, and by 2003 was six times higher, at 6.4 percent; marijuana grown and available in
 12 Alaska is much more potent than the national average, and has been tested with THC levels
 13 over 20 percent; the average potency of Alaska marijuana for the period 1993-2003 was over
 14 10 percent and for 2003 was nearly 14 percent; Alaska marijuana today commands hundreds
 15 of dollars per ounce on the illegal market and is often sold in smaller amounts within the price
 16 range of teenagers; the increasing potency of marijuana corresponds to an increase in
 17 substance abuse treatment admissions, particularly youth 12 - 17 years of age, and in the
 18 number of persons seeking emergency medical care due to marijuana-related incidents;

19 (2) several hundred adults and children are admitted into treatment each year
 20 in Alaska for marijuana abuse, with more than half being children under 18 years of age and
 21 more than a third being Alaska Natives; pregnant women in Alaska use marijuana at a higher
 22 rate than the national average and the percentage of pregnant Alaska Native women using
 23 marijuana is more than double the national average and the average for non-Native Alaskan
 24 women; the percentage of Alaska Native high school youth who have used marijuana is
 25 significantly higher than among non-Native youth;

26 (3) there is evidence that many users become dependent on marijuana under
 27 the clinical standards applied by the Diagnostic and Statistical Manual of Mental Disorders
 28 IV; studies have shown that use of marijuana and withdrawal from marijuana affect some of
 29 the same neurochemical processes as known addictive drugs; Marijuana Anonymous chapters
 30 to treat marijuana addicts exist in a majority of states in the country. This is persuasive
 31 evidence of marijuana's potential for users becoming dependent on it. Currently, one-third of

1 all persons in Alaska treated for drug and alcohol problems are treated for marijuana abuse;

2 (4) early exposure of young people to marijuana increases the likelihood of
3 lifelong health and social problems, makes it more likely that the person will later use more
4 potent illegal drugs, and is associated with depression and an increased risk of attempting
5 suicide;

6 (5) a high percentage of persons in treatment for alcohol abuse also abuse
7 marijuana, particularly among Alaska Natives; although the relationship between marijuana
8 and alcohol and other drugs is not fully understood, there is a correlative effect that makes it
9 more difficult to treat alcoholism when marijuana is also used;

10 (6) marijuana consists of hundreds of different chemicals and can affect
11 almost every organ and system in the body, including the lymph system, the heart, and the
12 lungs; THC binds to receptors in the brain that should otherwise bind to naturally occurring
13 brain chemicals; marijuana can affect memory, attention, judgment, and other cognitive
14 functions and can impair motor coordination, time perception, and balance; marijuana smoke
15 contains more carcinogenic hydrocarbons than tobacco smoke; marijuana often contains
16 bacteria or fungus that are dangerous to humans, and is harvested and sold without removing
17 pesticides and fungicides;

18 (7) a high percentage of persons arrested in this state, including adults and
19 juveniles who commit violent offenses, have marijuana in their system at the time of the
20 arrest; the percentage is particularly high for adults arrested for domestic violence who test
21 positive for marijuana at the time of the arrest;

22 (8) if a parent uses marijuana, their children are four to five times more likely
23 to become marijuana users; many high school students report that they have been able to get
24 marijuana at home or from a relative; criminal penalties for possession of marijuana in the
25 home will deter possession by adults and reduce its availability and accessibility to children;
26 studies have shown that criminal penalties for possession of marijuana are effective in
27 increasing the perception among teenagers of the risks of using the drug, thus reducing its use
28 by young people;

29 (9) in *Noy v. State*, 83 P.3d 538 (Alaska App. 2003), the Alaska court of
30 appeals allowed any person over 17 years of age to possess up to four ounces of marijuana in
31 their home; at the same time, the court held that possession of four ounces could legitimately

1 be prohibited even in the home because it was reasonable for the legislature to conclude in
 2 1982 that possession of four ounces is indicative of an intent to sell; the street value of
 3 ^{Alaska} marijuana today is between \$350 and \$550 per ounce; the legislature heard evidence that
 4 possession of four ounces or more indicates an intent to distribute; and therefore this is the
 5 appropriate amount to justify a felony offense; the Noy decision also led the same court in
 6 Crocker v. State, 97 P.3d 93 (Alaska App. 2004) to invalidate search warrants for commercial
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 14 substance with intent to manufacture or deliver;

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 16 manufacture or deliver, one or more preparations, compounds, mixtures, or substances
 17 of an aggregate weight of one ounce or more containing a schedule VIA controlled
 18 substance;

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 22 schedule IIIA or IVA controlled substance;

23 (C) one or more preparations, compounds, mixtures, or
 24 substances of an aggregate weight of three grams or more containing a
 25 schedule IIIA or IVA controlled substance;

26 (D) 50 or more tablets, ampules, or syrettes containing a
 27 schedule VA controlled substance;

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 29 substances of an aggregate weight of six grams or more containing a schedule
 30 VA controlled substance;

31 (F) one or more preparations, compounds, mixtures, or

1 substances of an aggregate weight of four ounces [ONE POUND] or more
2 containing a schedule VIA controlled substance; or

3 (G) 25 or more plants of the genus cannabis;

4 (4) possesses a schedule IIIA, IVA, VA, or VIA controlled substance

5 (A) with reckless disregard that the possession occurs

6 (i) on or within 500 feet of school grounds; or

7 (ii) at or within 500 feet of a recreation or youth center;

8 or

9 (B) on a school bus;

10 (5) knowingly keeps or maintains any store, shop, warehouse,
11 dwelling, building, vehicle, boat, aircraft, or other structure or place that is used for
12 keeping or distributing controlled substances in violation of a felony offense under this
13 chapter or AS 17.30;

14 (6) makes, delivers, or possesses a punch, die, plate, stone, or other
15 thing that [WHICH] prints, imprints, or reproduces a trademark, trade name, or other
16 identifying mark, imprint, or device of another or any likeness of any of these upon a
17 drug, drug container, or labeling so as to render the drug a counterfeit substance;

18 (7) knowingly uses in the course of the manufacture or distribution of a
19 controlled substance a registration number that is fictitious, revoked, suspended, or
20 issued to another person;

21 (8) knowingly furnishes false or fraudulent information in or omits
22 material information from any application, report, record, or other document required
23 to be kept or filed under AS 17.30;

24 (9) obtains possession of a controlled substance by misrepresentation,
25 fraud, forgery, deception, or subterfuge; or

26 (10) affixes a false or forged label to a package or other container
27 containing any controlled substance.

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2 of an aggregate weight of less than one [ONE-HALF] ounce [OR MORE] containing
3 a schedule VIA controlled substance;

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7 controlled substance, for remuneration;

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11 (B) one or more preparations, compounds, mixtures, or
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15 schedule VA controlled substance;

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17 substances of an aggregate weight of less than six grams containing a schedule
18 VA controlled substance; or

19 (E) one or more preparations, compounds, mixtures, or
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24 * Sec. 5. AS 11.71.060(a) is amended to read:

25 (a) Except as authorized in AS 17.30, a person commits the crime of
26 misconduct involving a controlled substance in the sixth degree if the person

27 (1) uses or displays any amount of a schedule VIA controlled
28 substance;

29 (2) [OR] possesses one or more preparations, compounds, mixtures, or
30 substances of an aggregate weight of less than one ounce [ONE-HALF POUND]
31 containing a schedule VIA controlled substance;

Amend #1

language deleted per Amend #1

language deleted per Amend #1

1 or

2 (3) [(2)] refuses entry into a premise for an inspection authorized under
3 AS 17.30.

4 * Sec. 6. AS 11.71.080 is amended to read:

5 Sec. 11.71.080. Aggregate weight of live marijuana plants. For purposes of
6 calculating the aggregate weight of a live marijuana plant, the aggregate weight shall
7 be one-sixth of the measured weight of the marijuana plant after the roots of the
8 marijuana plant have been removed [WHEN REDUCED TO ITS COMMONLY
9 USED FORM].

10 * Sec. 7. AS 12.55.135 is amended by adding a new subsection to read:

11 (k) A court may not impose a sentence of imprisonment or suspended
12 imprisonment for possession of marijuana in violation of AS 11.71.060 if the
13 defendant alleges, and the court finds, that the defendant was not under formal or
14 informal probation or parole conditions in this or another jurisdiction at the time of the
15 offense; that the defendant possessed the marijuana for the defendant's personal use
16 within the defendant's permanent or temporary residence; and that the defendant has
17 not been previously convicted more than once in this or another jurisdiction for
18 possession of marijuana. If the defendant has not been previously convicted as
19 described in this subsection, the maximum unsuspended fine that the court may
20 impose is \$500. If the defendant has been previously convicted once as described in
21 this subsection, the maximum unsuspended fine that the court may impose is \$1,000.
22 In this subsection,

23 (1) "permanent or temporary residence" means a permanent structure
24 adopted for overnight accommodation; "permanent or temporary residence" does not
25 include

26 (A) vehicles, tents, prisons or other correctional facilities,
27 residential treatment facilities, or shelters operated by a charitable organization
28 or a government agency;

29 (B) any place where the defendant's possession or use of
30 marijuana violated established rules for residents, such as a ban on smoking or
31 a ban on marijuana or other controlled substances;

Amend #1

Amend #2

Cont ->

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(2) "previously convicted" means the defendant entered a plea of guilty, no contest, or nolo contendere, or has been found guilty by a court or jury, regardless of whether the conviction was set aside under AS 12.55.085 or a similar procedure in another jurisdiction (of possession of marijuana); "previously convicted" does not include a judgment that has been reversed or vacated by a court.

* Sec. 8. AS 11.71.050(a)(2) is repealed.

* Sec. 9. The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. For purposes of AS 12.55.135(k), enacted by sec. 7 of this Act, "previously convicted" includes convictions as described in those provisions whether the convictions occurred before, on, or after the effective date of this Act.

* Sec. 10. This Act takes effect immediately under AS 01.10.070(c).

Amend
2
cont.

Amend
#2

added per memo from Legal.



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 10 Jan 2006 TIME: 1:25 pm

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 5

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

NOTES: New (FIN) Workdraft c.s. please
CS SB 74 (JUD)
plus 2 amendments - attached

Thx
Mindy

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 74(JUD)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
Title Crimes Involving Marijuana RDU Alaska Court System
Component Trial Courts
Sponsor Senate Rules Committee
Requester Governor Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

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	*	*	*	*	*	*

Estimate of any current year (FY2006) cost: 00
Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Judiciary Committee Substitute for Senate Bill 74 decreases from one pound to four ounces the amount of marijuana sufficient to constitute a felony offense for possession under AS 11.71.040. Under current law, possession of less than one pound of marijuana is a misdemeanor. Additionally, the bill creates new offenses related to marijuana possession in a vehicle and raises the penalties for certain delivery offenses. An increase in the number of felony filings impacts the court system because felony cases must go to a grand jury, the felony trial rate is much higher than the misdemeanor trial rate and, because those convicted of felony crimes are subject to supervised probation by the Department of Corrections, the court will see more petitions to revoke probation. Although these changes will impact the court system, the extent of that impact is too speculative to support a fiscal note at this time. However, if that impact proves to be significant the court system may return to the legislature with a request for additional funding.

Prepared by: Doug Wooliver, Administrative Attorney Phone 463-4750
Division Alaska Court System Date/Time 1/10/06 @ 1:00 pm
Approved by: Doug Wooliver for Stephanie Cole, Administrative Director Date 1/10/2006
Agency Alaska Court System

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

Frank H. Murkowski, Governor

Commercial and Fair Business Section
P.O. BOX 110300
123 4TH ST., DIMOND COURT HOUSE
JUNEAU, ALASKA 99811-0300
PHONE: (907)465-3600
FAX: (907)465-2539

March 1, 2005

Sectional Analysis of SB 74 (Marijuana)

(Prepared by the Department of Law, March 1, 2005)

SB 74 would enlarge the class of persons to whom delivery of certain controlled substances constitutes a crime; add new types of misconduct involving certain controlled substances that constitute a crime; lower the possession threshold amounts for certain degrees of misconduct involving a controlled substance; make the possession of any amount of marijuana a crime; and change the formula for calculating the aggregate weight of marijuana plants.

Sec. 1: Section 1 sets out the purpose of the bill.

Sec. 2: Section 2 sets out the bill's findings.

Sec. 3: Section 3 makes it a crime under the statute to deliver certain controlled substances to someone under the age of 21. Under the current law, delivery to someone who is under 19 and at least three years younger constitutes a crime.

Sec. 4: Section 4 lowers the minimum amount of certain controlled substances a person must possess to constitute a crime under the statute from one pound to four ounces.

Sec. 5: Section 5 lowers the minimum amount of certain controlled substances a person must possess to constitute a crime under the statute from one pound or more to one ounce or more. It also criminalizes under the statute the act of possessing certain controlled substances while driving or operating a motor vehicle, aircraft, or motorized watercraft.

Sec. 6: Section 6 lowers the minimum amount of certain controlled substances a person must possess to constitute a crime under the statute from less than one-half pound to less than one ounce.

Section 6 also adds the following types of conduct to the list of conduct that is criminalized under the statute:

- manufacture, delivery, or possession with intent to manufacture or deliver less than one ounce of certain controlled substances;

- possession of certain controlled substances while a passenger in a motor vehicle, aircraft, or motorized watercraft;
- being the driver or operator of a motor vehicle, aircraft, or motorized watercraft and knowingly permitting a passenger to possess certain controlled substances.

Sec. 7: Section 7 changes the calculation of the aggregate weight of a marijuana plant to be a percentage of the measured weight of a plant after its roots have been removed.

Sec. 8: Section 8 sets out an immediate effective date.

Current Alaska Law			CS SB 74 (FIN)
Misconduct involving controlled substances in the third degree AS 11.71.030; class B felony			
delivers (sells or gives)	any amount to person under 19, and three years younger	Sentence for first offender: 2-4 years; max for repeat offender with aggravated facts: 10 years	No change
Misconduct involving controlled substances in the fourth degree AS 11.71.040; class C felony			
grows, delivers or possesses with intent to deliver	1 ounce or more	Sentence for first offender: 0-2 years; max for repeat offender with aggravated facts: 5 years	No change
possesses	1 pound or more		1/4-pound or more: the amount that the Alaska Court of Appeals agrees indicates an intent to sell
possesses	25 or more marijuana plants		No change
possesses	any amount on school grounds and within 500 feet		No change
Misconduct involving controlled substances in the fifth degree AS 11.71.050; class A misdemeanor			
possesses	1/2 pound to 1 pound	No minimum sentence, maximum sentence for "worst" offender with long criminal record or particularly aggravated facts: 1 year	1 ounce to 1/4-pound
grows, delivers or possesses with intent to deliver	1/2 ounce to 1 ounce		Less than 1 ounce
grows, delivers or possesses with intent to deliver, for money	less than 1/2 ounce		Repealed, because included in category above
Misconduct involving controlled substances in the sixth degree AS 11.71.060; class B misdemeanor			
possesses	up to 1/2 pound (up to 1/4 pound in home protected by court decision)	No minimum sentence; under CSSB 74(FIN) maximum sentence for first offender \$500; under CSSB 74(FIN) max for second offender \$1000; max for third offender 90 days	Less than 1 ounce
uses or displays	any amount		No change

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



SB74
P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 20, 2005

The Honorable Ben Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to marijuana. I believe it is time for the Alaska Legislature to take a stand and debunk the myth that marijuana is a harmless recreational drug.

It is very troubling to me that our young people have access to the drug and are using it. In recent years, Alaska had the highest rate in the nation of persons over the age of 12 trying marijuana for the first time. Approximately two-thirds of these new smokers were children ages 12 - 17. This same age group of children made up over half of the state's 363 treatment admissions in 2003 for marijuana abuse. Many more go untreated each year.

The problem is particularly great for Alaska Natives. In 2003, the self-reported rate of current use for Alaska Native students in the ninth grade (age 15) was 36.96 percent, nearly three times the rate for non-Native Alaska students. For tenth graders, the rate of current use by Alaska Native students was 41.77 percent. Alaska Natives also made up approximately 35 percent of the statewide treatment admissions for marijuana abuse in 2003. The numbers of our youths trying marijuana for the first time and entering treatment foretells a dim future if nothing is done.

Although marijuana smoke contains hundreds of substances, some of them carcinogenic, the principal psychoactive ingredient is delta-9 tetrahydrocannabinol (commonly known as THC). In the 1960's and 70's, marijuana was primarily used by college students and "hippies," and the average THC content was less than one percent. But today, the average THC content in marijuana is six times that level, at 6.4 percent. Drug dealers in Alaska have turned indoor marijuana growing into a science and marijuana grown here has been found with a THC content in excess of 20 percent. Our young people thus have access to, and are using, marijuana that is a potent hallucinogenic.

In 1975, the Alaska Supreme Court studied marijuana and concluded, in *Ravin v. State*, that the scientific evidence on its effects did not justify making it a

COMMITTEE COPY

The Honorable Ben Stevens
January 20, 2005
Page 2

crime for adults to possess small amounts in private. More recently, the Alaska Supreme Court has shown an unwillingness to reconsider the latest scientific evidence on the harmful effects of marijuana. A rational evaluation of marijuana's harmful effects must occur, and the Legislature should do that -- not the courts. This bill would provide a forum for the Legislature to hear expert testimony on the effects of marijuana and to make findings that the courts can rely on in cases where marijuana is an issue.

In addition to educating the Legislature, courts, and the public about the harmful effects of marijuana, this bill would deter possession and use of marijuana by increasing criminal penalties for certain types of possession. It also would provide a fair and efficient process for determining the usable weight of live marijuana plants in criminal prosecutions.

Current law makes it a class B felony to give or sell marijuana, and schedule IVA and VA controlled substances, to someone age 18 or younger, but only if the dealer is at least three years older. Right now, if a 19-year-old gives a small amount of marijuana to a 17-year-old, it is the lowest level misdemeanor offense. When the law classifies such conduct as such a low-level offense, it provides no deterrence for young adults.

Marijuana is particularly harmful for young users, and it should be a serious crime to give or sell marijuana to someone under age 21, no matter how old the "dealer" may be. Expanding the current class B felony penalty for providing marijuana, and schedule IVA and VA controlled substances, to someone under age 21, regardless of the age difference between the user and the dealer, would allow the Superior Court to punish adults who supply our youths.

The bill also would make it a class C felony (the lowest felony level) to possess four ounces or more of marijuana, compared to current law, which reserves this felony level only for those who possess a whole pound or more. Four ounces of high-THC marijuana has a street value of up to \$2,000. Given the increase in the value and potency of marijuana, it is appropriate to apply higher penalties to possession of this amount.

The bill also would adjust misdemeanor penalties related to marijuana. The bill would make it a class A misdemeanor to possess one ounce or more of marijuana, as compared with current law, which allows misdemeanor penalties even for those who possess from a half-pound to up to one pound of marijuana. The bill would reserve the lowest misdemeanor penalties (class B misdemeanor), for possession of less than one ounce of marijuana, which is still a significant amount, both in dosage and cost.

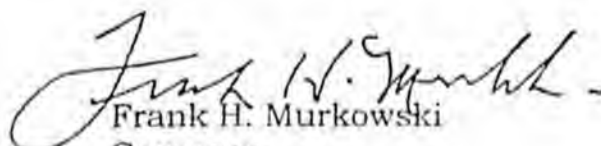
The Honorable Ben Stevens
January 20, 2005
Page 3

The bill also tackles marijuana and driving, which even the Supreme Court in *Ravin* recognized as a potentially serious problem back in 1975. Unlike alcohol, there is no effective way for law enforcement officers to quickly and easily test the amount of marijuana in a person's blood, breath, or urine. Thus, the best way to deter using marijuana and driving is to prohibit it in motor vehicles. This bill would make it a class A misdemeanor for the driver of a motor vehicle to possess any amount while driving or operating a motor vehicle. This is the same level of offense as driving under the influence, although this bill does not require mandatory penalties as required for driving under the influence (DUI) offenses. The bill also would make it a class B misdemeanor if a passenger in a motor vehicle possesses any marijuana, or if the driver allows a passenger to do so.

Finally, the bill would provide a fair and efficient process for determining the usable weight of live marijuana plants. Under current statutory law, to determine the weight of marijuana from a growing plant, the law enforcement officers must harvest, dry, and process the marijuana just like a marijuana grower would. This is required for two reasons. First, the plants cannot be allowed to remain damp, or a mold will form that not only destroys the evidence, but is also dangerous to the officers handling the plants. Second, this processing is statutorily required because the plant can only be weighed after it has been "reduced to its commonly used form." (AS 11.71.080.) The obvious problem with this statute is that it forces the law enforcement officers to operate large marijuana drying and processing facilities at great expense and effort. The plants must be spread out and dried, and then the law enforcement officers must begin the laborious task of separating the less usable stalks from the leaves, buds, and flowers. Even then, there are often arguments in court about whether the law enforcement officers correctly processed the plants, or whether they left in too many stalks. This bill solves the problem by allowing the law enforcement officers to weigh the unprocessed harvested plants, and declares that one-sixth of that weight is used for determining what level of crime is involved. The one-sixth ratio was determined by experimentation of the Alaska State Troopers, and represents an average of several test batches of live marijuana plants that were dried and processed to their "commonly used form."

I urge your prompt and favorable action on this measure.

Sincerely yours,


Frank H. Murkowski
Governor

Enclosure

SENATE COMMITTEE REPORT

DATE: 4/4/05

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 5/5/05

Judiciary Committee considered

SENATE BILL NO. 74

SB 74 CRIMES INVOLVING MARIJUANA/OTHER DRUGS

"An Act making findings relating to marijuana use and possession; relating to marijuana and misconduct involving a controlled substance; and providing an effective date."

and recommends:

- be replaced with _____ CS SB 74 (JUD)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:	
<input checked="" type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
SCS 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#
COR (IF)	4/21/05		✓		6
COR (Parole)	4/21/05		✓		7

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DPS	1/20/05			✓	1
ADM	1/19/05	X			2
LAW	1/14/05			✓	3
HSS	1/20/05			✓	4
CRT	3/30/05		✓		5

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	No REC	AMEND
<i>[Signature]</i>			X	
<i>[Signature]</i>			X	
<i>[Signature]</i>			X	
<i>[Signature]</i>			X	
CHAIR: <i>Ralph Seebins</i>	✓			

French
Huggins
Therriault
Guess

Seebins

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 1/21/05

FURTHER: Judiciary
Finance

Date of 5-Day Notice: 3/17/05
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4.1.05

Health, Education and Social Services Committee considered

SENATE BILL NO. 74

SB 74 CRIMES INVOLVING MARIJUANA

"An Act making findings relating to marijuana use and possession; relating to marijuana and misconduct involving a controlled substance; and providing an effective date."

and recommends:

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

Senate Bill:
 Same Title
 New Title

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

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
ACS	3/30		X		5

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DPS				X	1
ADM		X			2
LAW	1/14			X	3
HSS	1/20			X	4

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Wilken	✓			
Elton		✓		
Olson			✓	
CHAIR: Dyson	✓			

SB

78

SFIN

FILE

SB 78

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

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

February 25, 2005

Honorable Lyda Green, Co-Chair
Senate Finance Committee
Alaska State Capitol, Rm. 516
Juneau, AK 99801

Dear Senator Green,

The Department of Health and Social Services respectfully requests a hearing in the Senate Finance Committee on Senate Bill 78 "An Act establishing the senior care program and relating to that program; creating a fund for the provision of the senior care program; repealing ch. 3, SLA 2004; and providing for an effective date."

The proposed legislation will repeal the existing SeniorCare program established in temporary law last year and replace it with a permanent law that will strengthen the SeniorCare program in future years.

The Senate Health, Education, and Social Services Committee heard the bill and recommends it be replaced with a Senate (HES) Committee Substitute. The department supports the Senate (HES) amendments.

A copy of Governor Murkowski's transmittal letter providing additional information on the bill, a sectional analysis, and the associated fiscal notes should be on file with the committee.

Your favorable consideration of this request will be appreciated.

Sincerely,


Sherry Hill, Special Assistant
Office of the Commissioner

cc: Kevin Jardell, Legislative Director
Office of the Governor
Ms. Katherine Farnham, Director
Division of Public Assistance

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES



April 26, 2005

The Honorable Lyda Green, Co-Chair
Senate Finance Committee
Alaska State Capitol, Room 516
Juneau, Alaska 99801-1182

The Honorable Gary Wilken, Co-Chair
Senate Finance Committee
Alaska State Capitol, Room 518
Juneau, Alaska 99801-1182

RE: SB 78 (Governor Murkowski)--Support

Dear Co-Chairs Green and Wilken:

On behalf of the members of AARP in Alaska, we encourage you and your colleagues on the Senate Finance Committee to schedule a hearing and support SB 78, introduced by the Senate Rules Committee at the request of Governor Murkowski.

Last year Governor Murkowski proposed, and the Legislature passed, the Alaska SeniorCare bill. As you know from talking to your own constituents, the cost of prescription medications for older Alaskans is a critical issue for many family budgets. Older persons use more medications than younger people. With more years, we use more medications. Our oldest Alaskans are the ones most likely to use the most prescriptions. They are also statistically likely to have the lowest incomes.

In Alaska, just like every other state, we also have a second group of persons who reach retirement age with serious health problems. Very often they already face significant prescription drug costs when they turn 65 and these costs usually continue to go up as they age.

Prescription medications are not a luxury. They are an essential part of preventive health care today. Without prescriptions, many older Alaskans would face more serious (and more costly) health interventions, including surgery. Providing prescription drug coverage under SeniorCare is smart medicine and we applaud the Governor and the Legislature for passing SeniorCare last year.

SB 78 would allow SeniorCare to continue beyond December 31, 2005. Better yet, SB 78 would compliment the new Medicare Part D program and assist older Alaskans who

sign up for the new Medicare benefit with premium and deductible costs up to 300% of the federal poverty level. SB 78 also raises the "assets test" for eligibility in SeniorCare. The original assets test undoubtedly prevented some medically needy older Alaskans from participating. Older persons tend to save for that "rainy day." Even low income older people tend to save for emergencies. They may not be able to save much but what they do save often makes them ineligible for programs like SeniorCare. Raising the assets test to more reasonable limits is certainly good public policy and supports the intent of the Governor and the Legislature.

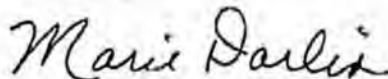
We are well aware that the Legislature faces competing requests for a limited budget. However, we also believe that SeniorCare is successful in its intent and, with the Governor's recommended changes in SB 78, Alaska's SeniorCare will be even more effective in helping older Alaskans deal with the ever-rising cost of prescription medications.

We urge you to schedule an early hearing and to vote "AYE" on SB 78.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,



Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Vice-Chair Con Bunde
Senator Fred Dyson
Senator Bert Stedman
Senator Lyman Hoffman
Senator Donald Olson
Governor Frank Murkowski
Commissioner Joel Gilbertson

Ivy Frye

From: Shirley Nunley [shirley@pobox.mtaonline.net]
Sent: Tuesday, April 26, 2005 10:08 PM
To: Sen. Lyda Green
Subject: SB 78

Please schedule SB 78 for a hearing and vote to support it.

SB 78 which would extend the Alaska SeniorCare program beyond 2005 as well as provide an extension of benefits to older Alaskans who meet income and asset guidelines to have the state pay the costs of the premium and deductibles for Medicare Part D which starts January 1, 2006.

Thank you,
Shirley Nunley
HC 31 Box 5260
Wasilla, Alaska 99654
shirley@pobox.mtaonline.net

Ivy Frye

From: Dan Tucker [tucker@mtaonline.net]
Sent: Tuesday, April 26, 2005 9:24 PM
To: Sen. Lyda Green
Subject: SB 78 - please help it to pass

Lyda,

It's been a while since I saw you last, or we spoke. You tend to be a very busy woman.

I've been an AARP member for nearly five years now and will hit 55 next month - and just hitting my stride.

While SB 78 probably won't affect me since I've got my pension and after-career work but I know others who would benefit - no, they're really in need of it.

Not much else for now. We're hoping for a good, clean finish to the session.

Dan Tucker

--

Dan & Connie Tucker
4330 Wickersham Way
Wasilla, AK 99654
(907) 376-2630
(907) 863-1313 Dan cell
(907) 373-5630 fax

www.babysmartstart.com
www.riverover.com
www.alpineexcavating.biz

Ivy Frye

From: Shirley [theowl@gci.net]
Sent: Tuesday, April 26, 2005 9:16 PM
To: Sen. Lyda Green
Subject: support for senate bill 78

I support the senate bill 78. Please consider scheduling a hearing to pass this bill.
Thank you.
Alaskan resident
Shirley Belden
Wasilla, Alaska

4/27/2005

Ivy Frye

From: Jan Stotts [jacaak@gci.net]
Sent: Tuesday, April 26, 2005 6:27 PM
To: Sen. Lyda Green
Subject: SB 78

Dear Senator Green,

I'm writing you to request that you schedule SB 78 for a hearing, and for your vote to support it.

I feel it's important to extend the Alaska SeniorCare program beyond 2005 as well as provide an extension of benefits to older Alaskans who meet income and asset guidelines to have the state pay the costs of the premium and deductibles for Medicare Part D which starts January 1, 2006.

Low income older citizens who need medications are the ones who can least afford them. We need to take responsibility for these Alaskans who will lose their pharmaceutical benefit or their \$120 monthly cash assistance program to help them pay for prescription drugs.

Thank you for your consideration in this matter.

Respectfully,

Janice K. Stotts
PO Box 877285
Wasilla, AK 99687
(907)357-7469

Ivy Frye

From: Gabriel D. Layman [srsvc@mtaonline.net]
Sent: Tuesday, April 26, 2005 2:15 PM
To: Sen. Lyda Green
Subject: SB 78 - Extension of Alaska SeniorCare

Dear Senator Green:

I write on behalf of the Palmer Senior Citizens Center (PSCC) to voice our strong support for Senate Bill 78, which concerns the extension of the Alaska SeniorCare program. As you are aware, SB 78 would extend the Alaska SeniorCare program beyond 2005 and provide an extension of benefits to older Alaskans who meet certain income and asset guidelines.

Without SB 78, approximately 7,000 lower-income Alaskan seniors will lose their pharmaceutical benefit or their \$120 monthly cash assistance, which provides financial support for many older Alaskans who require costly prescription medications. Day in and day out, PSCC bears witness to the tremendous importance of the SeniorCare program to Mat-Su seniors, especially in light of the recent termination of the Longevity Bonus. We observe on a first-hand basis the significant positive impact that the SeniorCare program clearly has upon the quality of life of many Alaskan seniors, and we truly believe that a failure on the part of the Legislature to extend the SeniorCare program would deal a crushing blow to many older Alaskans.

Senator Green, PSCC strongly urges you to schedule SB 78 for a hearing before Senate Finance and to vote in support of this crucial piece of legislation.

Most respectfully,

Gabriel Layman

Gabriel D. Layman, J.D.
Senior Services Advocate
Palmer Senior Citizens Center, Inc.
831 South Chugach Street
Palmer, AK 99645
(907) 745-5434 - Direct
(907) 745-5439 - Fax
srsvc@mtaonline.net

STATE OF ALASKA

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Alaska Commission on Aging

March 2, 2005

The Honorable Lyda Green
Senate Finance Committee
State Senate - State Capitol Room 516
Juneau, AK 99801-1182

Re: SB 78, SeniorCare Program

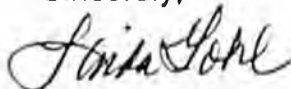
Dear Senator Green:

The members of the Alaska Commission on Aging would like to voice their very strong support for passage of the Governor's SeniorCare Bill, SB 78. The Commission is charged with making recommendations to the Governor and the Legislature with respect to legislation, regulations and appropriations for programs and/or services that support the health and well-being of older Alaskans.

Members of the Commission are particularly concerned about the ability of our most needy and vulnerable elders and seniors to afford adequate medical care, including coverage for prescription drugs. We are also concerned about all seniors on fixed incomes who are burdened with skyrocketing costs for medical care, prescription drugs, Medicare and expensive private health insurance premiums. With the establishment of the Medicare Part D prescription drug program, it is vitally important that Alaska seniors are able to cover the cost of participating in this federal program if they are to avail themselves of this federal assistance. We believe the Governor's proposed SeniorCare program will go a long way toward ensuring that our seniors have adequate and affordable prescription drug coverage in Alaska.

The members of the Commission on Aging respectfully ask your consideration and support for passage of SB78 and sufficient funding to ensure this program is successful.

Sincerely,



Linda Gohl, Executive Director
Alaska Commission on Aging

FRANK H. MURKOWSKI
GOVERNOR

P.O. BOX 110693

JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

SB 78 file
RECEIVED

MAR 13 2005

Sectional Analysis of CS SB 78 (HES) -- Senior Care

(Prepared by the Department of Health and Social Services and the Department of Law, February 25, 2005)

CS SB 78 (HES) would establish the senior care program, which provides cash assistance and prescription drug benefits to eligible seniors.

I. Addition of senior care benefits to list of property exempt under AS 09.38.15 (Section 1):

Sec. 1: Section 1 amends the statute regarding property exempt without limitation to add benefits paid or payable as a senior care benefit under this bill.

II. Establishment of the senior care program (Section 2):

Sec. 2: Section 2 establishes and sets out the senior care program in statute by adding new sections to the chapter dealing with older Alaskans, as follows:

- it establishes senior care as a program, provides the Department of Health and Social Services with the authority to administer it, and establishes the order in which senior care benefits are to be reduced if funding is inadequate;
- it provides for a cash assistance benefit of \$120 per month for Alaska residents, age 65 and older, who have income less than or equal to 135 percent of the federal poverty guidelines;
- it provides for a prescription drug benefit for Alaska residents, age 65 and older, who have income less than or equal to 300 percent of the federal poverty guidelines, who do not receive a cash assistance payment under section 1, and who meet other requirements;
- it provides that the prescription drug benefit will pay for premiums and deductibles for prescription drug coverage under Medicare Part D, a group health plan, veteran benefits, Medigap, military coverage, and other plans comparable to Medicare Part D, while limiting the total benefit to the annual cost of Medicare Part D premiums and deductibles;
- it places the following limitations on the prescription drug benefit: an individual is not eligible for the prescription drug benefit if their premium and deductible are covered by another source or if they have a prescription drug benefit authorized under specific sections of the Social Security Act; in addition, residents of public institutions, nursing facilities, Pioneers' Homes, and Veterans' Homes are not eligible, unless they reside in a public institution or nursing facility for less than three months;

- it prevents recipients of either the cash assistance benefit or the prescription drug benefit from receiving benefits if they leave the state, unless it is for a reason specified as an allowable absence under the permanent fund dividend chapter, or to take a trip of less than 30 consecutive days (or longer if the department grants an exception for special circumstances);
- it provides for an appeal process for people whose benefits are denied, terminated, or reduced;
- it makes an individual liable to the Department of Health and Social Services for benefits improperly paid due to inaccurate or incomplete information, and gives the Department of Health and Social Services the ability to recover those benefits and associated recovery costs through a civil action;
- it establishes the Alaska senior care fund in statute as an account in the general fund; the senior care fund would receive appropriations and unexpended funds in the current senior care fund created by temporary law;
- it provides definitions.

II. Adds the senior care fund to the list of nongeneral fund program receipts (Section 3):

Sec. 3: Section 3 adds the Alaska senior care fund to the list of nongeneral fund program receipts at AS 37.05.146(e).

III. Repeal of existing senior care program in session law (Section 4):

Sec. 4: Section 4 repeals ch. 3, SLA 2004, which sets out the existing senior care program.

IV. Transition provisions (Sections 5 - 6):

Sec. 5: Section 5 transfers the assets of the current senior care fund created under ch. 3, SLA 2004 to the senior care fund created under sec. 2.

Sec. 6: Section 6(a) gives the Department of Health and Social Services the authority to use the existing regulations to operate the senior care program until it can adopt regulations under the statutes added by the bill. Section 6(b) gives the Department of Health and Social Services authority to begin the process of adopting new regulations before the new statute takes effect.

V. Effective dates (Sections 7 - 8):

Sec. 7: Section 7 provides for an immediate effective date for sec. 6(b), authorizing the Department of Health and Social Services to begin adopting new regulations.

Sec. 7: Section 8 provides for an effective date, the date Medicare Part D begins, for the remainder of the bill sections.



Comparison of Qualifications and Benefits

Beginning January 2006

SeniorCare Cash Assistance

SeniorCare Prescription Drug Assistance

Qualifications

- ➔ Up to 135% of Poverty Level
- ➔ Annual Income below
\$15,708 Single
\$21,084 Couple
- ➔ Liquid Assets below
\$6,000 Single
\$9,000 Couple

- ➔ Up to 300% of Poverty Level
- ➔ Annual Income below
\$34,890 Single
\$46,830 Couple
- ➔ Liquid Assets below
\$50,000 Single
\$100,000 Couple

SeniorCare Benefit January 2006

- ➔ \$120 a month cash assistance (up to \$1,440 annual)

- ➔ \$670 Annual Medicare/Comparable Insurance Prescription Drug Premiums and Deductible

Medicare Benefit January 2006

- ➔ Annual Medicare Premiums and deductible covered \$670
- ➔ Full prescription drug coverage Medicare Part D

- ➔ Standard Medicare Part D, prescription drug coverage

Seniors Served (Total 17,000)

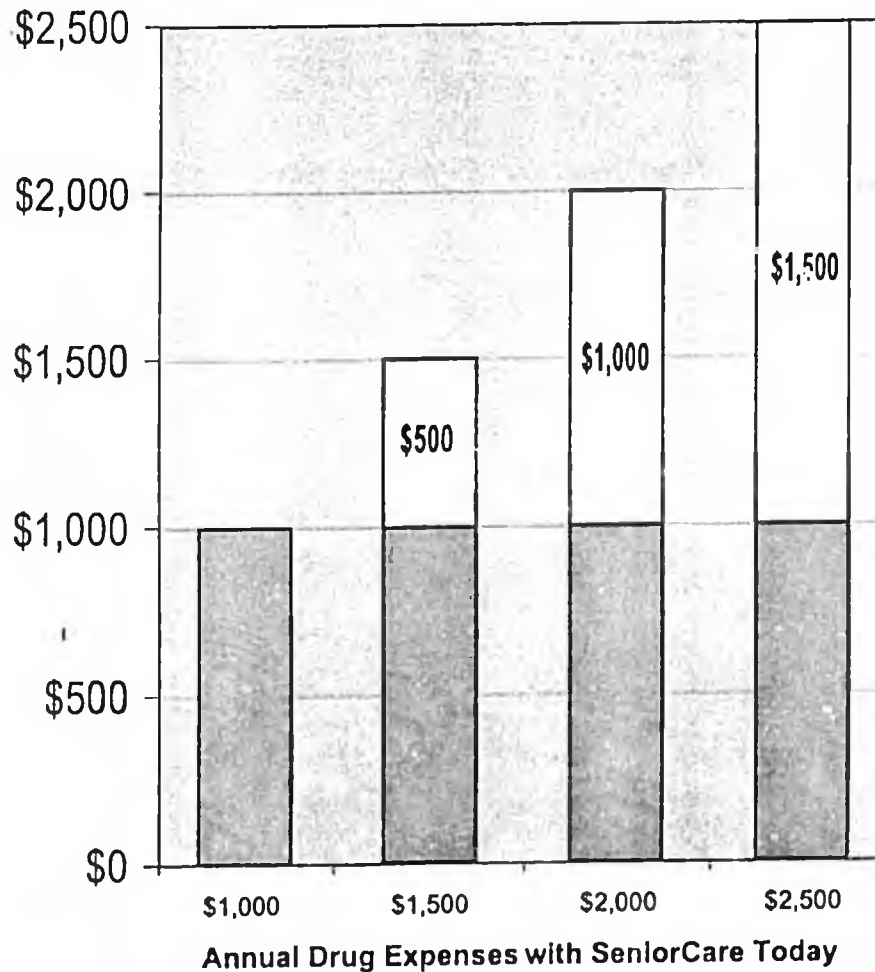
- ➔ 7,000

- ➔ 10,000

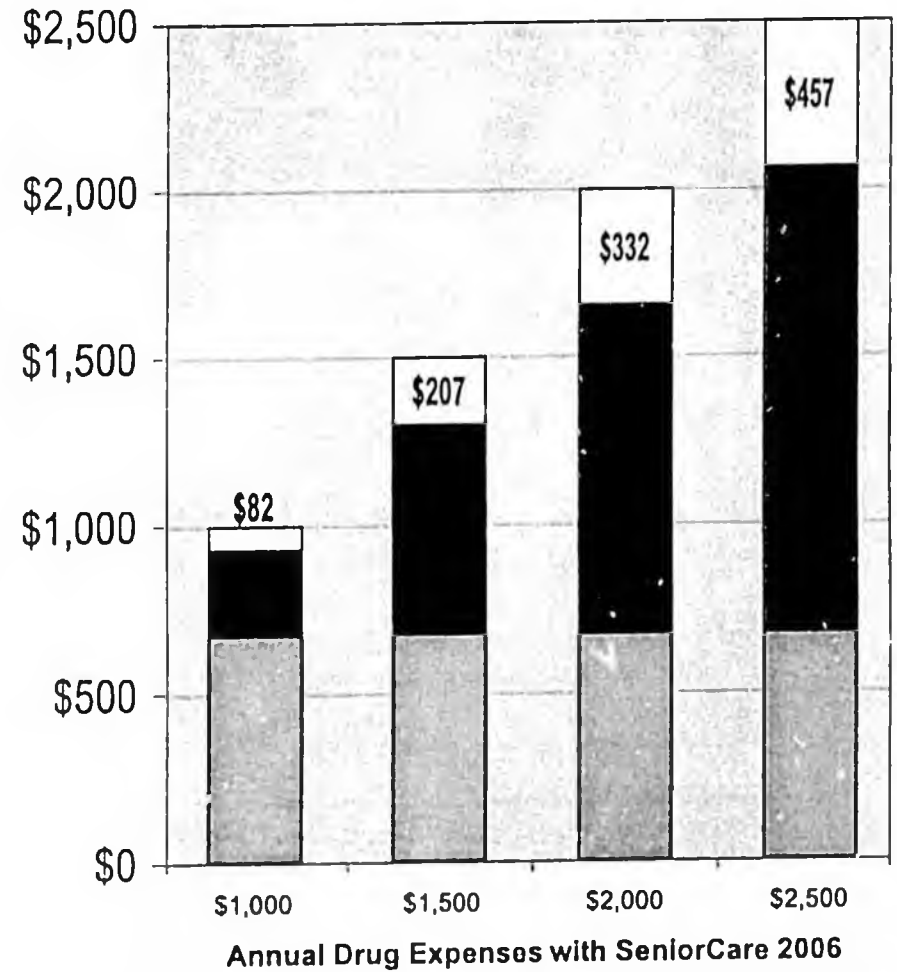
Senior CARE

Strengthening and Improving Drug Coverage for Alaska Seniors

Old SeniorCare Prescription Drug Benefit



New SeniorCare Prescription Drug Benefit



■ SeniorCare Benefit

■ Medicare Drug Benefit

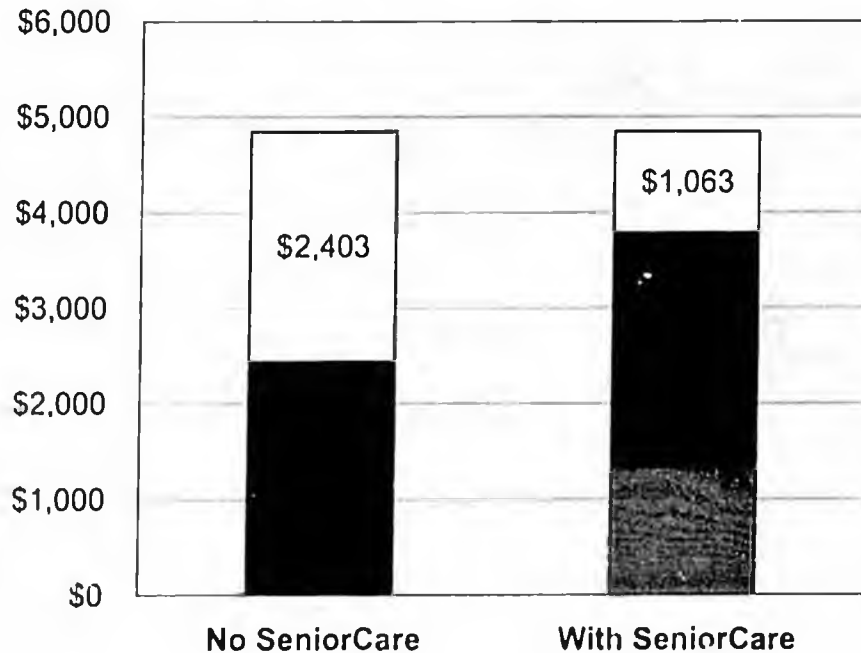
□ Individual Out-of-Pocket

Senior CARE

Examples of Savings with SeniorCare

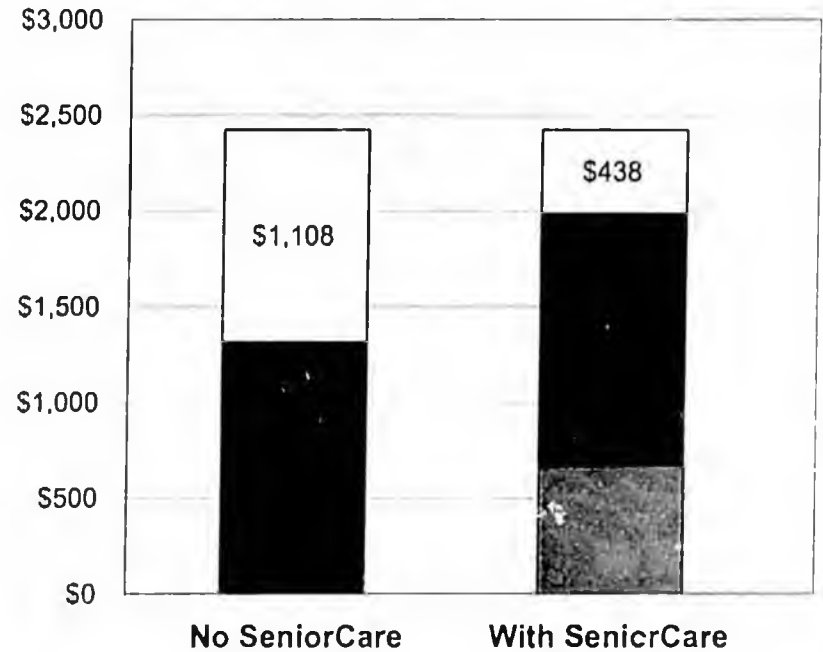
Bill, age 70 and Janet, age 68 With and without SeniorCare

Bill and Janet are married, and have an annual income of \$42,000 with \$70,000 of savings in an IRA retirement account. Bill spends \$2,500 annually for prescription drugs, Janet spends \$1,500. *Bill and Janet will save \$1340 annually under SeniorCare.*



Mary, age 85 With and without SeniorCare

Mary lives alone, has \$30,000 annual income and \$45,000 in the bank. She spends \$2,000 for prescription drugs each year. *Mary will save \$670 annually under SeniorCare.*



■ SeniorCare Benefit

■ Medicare Drug Benefit

□ Individual Out-of-Pocket

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 1/24/05

FURTHER: Finance

Date of 5-Day Notice: 2/10/05
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 2.24.05

Health, Education and Social Services Committee considered

SENATE BILL NO. 78

SB 78 SENIOR CARE PROGRAM

"An Act establishing the senior care program and relating to that program; creating a fund for the provision of the senior care program; repealing ch. 3, SLA 2004; and providing for an effective date."

and recommends:

- be replaced with _____ CS SB 78 (HES)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:	
<input checked="" type="checkbox"/>	Same Title
<input 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#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
HSS	1/14	X			1
HSS	1/14	X			2
HSS	1/14	X			3
HSS	1/14	X			4

APPROPRIATION - no fiscal note

Sitting

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
Green	<i>Lynne Green</i>				<input checked="" type="checkbox"/>
Wilken	<i>Erin Wilken</i>			<input checked="" type="checkbox"/>	
Elton	<i>K.L. Elton</i>	<input checked="" type="checkbox"/>			
Dyson	CHAIR: <i>Paul Dyson</i>				<input checked="" type="checkbox"/>

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



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

SB78
P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

January 21, 2005

The Honorable Ben Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to health care benefits available to eligible low-income senior citizens.

In 2004, the SeniorCare program was enacted that provided for needs-based cash assistance and a prescription drug benefit (ch. 3, SLA 2004). Today, approximately 6,800 seniors with incomes below 135 percent of the federal poverty level for Alaska receive \$120 a month in cash assistance through the SeniorCare program. This program has been very successful in reaching senior citizens in Alaska truly in need of cash assistance.

Unfortunately, the SeniorCare program is anticipated to sunset no later than January 1, 2006. Therefore, the legislation I am proposing today will repeal the temporary law created last year and replace it with a permanent law that will strengthen the SeniorCare program and allow it to continue. It is crucial that the State of Alaska continue to provide critical support for Alaska's most needy senior citizens beyond January 1, 2006.

My proposal to improve SeniorCare is through the creation of a supplement to the recently enacted federal Medicare drug benefit for Alaska's seniors. Under the new federal Medicare benefit, many seniors are still required to pay premium and deductible expenses for prescription drugs out of their own pockets. For Alaska seniors with incomes up to 300 percent of the federal poverty level, I propose that SeniorCare pay these premiums and deductibles on our seniors' behalf - a benefit of approximately \$670 per person annually. Seniors with Medigap or other comparable coverage will also be eligible to receive this benefit as long as they meet the basic income and asset standards for SeniorCare.

COMMITTEE COPY

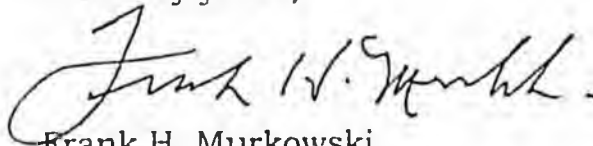
The Honorable Ben Stevens
January 21, 2005
Page 2

I anticipate that over 40 percent of the estimated 41,000 Alaska seniors will be eligible for the SeniorCare benefit. With passage of this legislation, the end result will be that as of January 2006 virtually all seniors in Alaska will be eligible for prescription drug coverage through a combination of federal, state, and employer-sponsored drug plans. This represents an achievement in which we should all be proud.

Over the past several years I have listened to our senior citizens throughout Alaska and there is no doubt in my mind that adequate prescription drug coverage remains a top priority of our seniors. Additional state support for SeniorCare in the years to come will help resolve this longstanding issue. It is a sound investment well worth making.

I urge your prompt and favorable action on this measure.

Sincerely yours,

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

Frank H. Murkowski
Governor

Enclosure

S B

8 8

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/16/05

FURTHER:

REPORTED OUT
APR 15 2005
SENATE FINANCE
COMMITTEE

DATE TURNED
IN TO OFFICE: 4/15/05

Finance Committee considered SENATE BILL NO. 88

SB 88 POLICY ON GENERAL FUND REVENUE SHORTFALL

"An Act relating to the policy of the state regarding the source of funding used to cover a shortfall in general fund revenue."

and recommends:

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

Senate Bill:
 Same Title
 New Title

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

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
Revenue	2/15/05			✓	1

APPROPRIATION - no fiscal note

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

APR 15 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 88
(S) Publish Date: 3/16/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
Title Policy on General Fund Revenue Shortfall RDU ALL
Component _____
Sponsor Senator Wilken Component No. _____
Requester Senate State Affairs

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 (FY2005) cost: 00

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There are no additional administrative costs associated with this bill.

Prepared by: Jerry Burnett Phone 465-2302
Division Special Assistant to the Commissioner Date/Time 2/15/05 10:59 AM
Approved by: Tomas Boutin Deputy Commissioner Date 2/15/2005
Agency Department of Revenue

SENATE FINANCE COMMITTEE
4 / 15 / 2005 COMMITTEE ACTION

Bill Number	SR 82		
Amendment	_____		
Motion	to Report from Committee		
Motion by	WILKEN		
Objection by	Dyson		
Removed			
Second Objection by			
Committee Member	Y	<u>Vote</u>	N
Senator Olson	✓		
Senator Stedman			✓
Senator Bunde	—		—
Senator Dyson			✓
Senator Hoffman	✓		
Co-Chair Wilken	✓		
Co-Chair Green	✓		
Tally			
Yea	4		
Nay	2		
Absent	1		
MOTION	0		

GARY WILKEN

SENATOR
Fairbanks

Interim
1851 Fox Ave.
Fairbanks, Alaska 99701
Tel: 454-5501 (from FBks)
Tel: (907) 465-3709 (outside FBks)
Fax: (907) 465-4714

Alaska State Legislature

Senate

During Session:
State Capitol Building
Juneau, Alaska 99801-1182
Tel: 454-5501 (from FBks)
Tel: (907) 465-3709 (outside FBks)
Fax: (907) 465-4714
Web-site: www.garywilken.com
E-Mail: Senator.Gary.Wilken@legis.state.ak.us

SPONSOR STATEMENT

Senate Bill 88

A Policy on General Fund Revenue Shortfall

Senate Bill 88 reads as follows: *It is the policy of the State of Alaska that the amounts necessary to cover a projected shortfall in general fund revenue during a fiscal year be appropriated equally from the Constitutional Budget Reserve fund and the Earnings Reserve Account.* These few words adopt a course of action that balances the state budget when a shortfall in general fund revenue exists.

Senate Bill 88

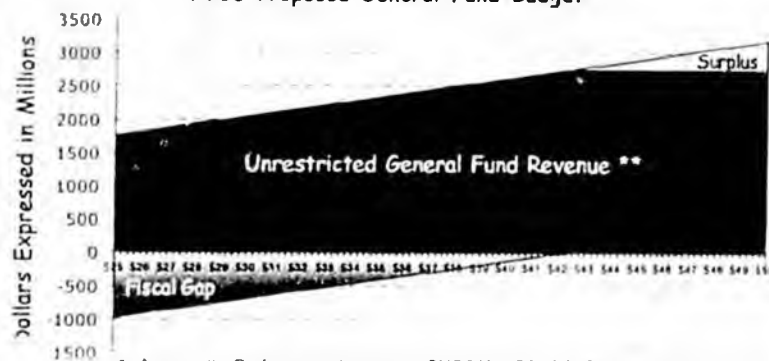
- When needed, fills the potential fiscal gap in a way that minimizes the financial impact on Alaska families.
- When needed, provides a bridge over the gap between general fund expenditures and general fund revenues until our state's natural resources can be further developed.
- Doubles the life expectancy of the Constitutional Budget Reserve fund.
- May strengthen the State of Alaska bond rating and save millions of dollars on future bond offerings.

Senate Bill 88 affirms a policy of the state that provides fiscal certainty when the general fund revenue is insufficient to fully fund the state budget. Please join me in support of this legislation.

Things Can Change Quickly

"For the Good of the State"

FY06 Proposed General Fund Budget *



* Assumes the Gov's proposed budget plus \$117.5 M for PERS/TRS & \$00 M supplemental
 ** Assumes DOR Fall 2004 production projection of 932 million barrels per day

Provided by Gary Wilken

Effect on Alaska's Permanent Fund Dividends

How much less would PFID of \$250/ANU drawn from the FFA if a gap occurs?

Fiscal Gap (millions)	ERA Draw (millions)	Fiscal Years Ahead									
		1	2	3	4	5	6	7	8	9	10
200	100	\$0	\$2	\$4	\$7	\$12	\$18	\$25	\$31	\$38	\$44
300	150	\$0	\$2	\$5	\$11	\$18	\$27	\$37	\$47	\$56	\$66
400	200	\$0	\$3	\$7	\$14	\$24	\$36	\$49	\$62	\$75	\$88
500	250	\$0	\$3	\$9	\$18	\$30	\$45	\$61	\$77	\$93	\$110
600	300	\$0	\$4	\$11	\$21	\$36	\$54	\$73	\$93	\$112	\$132
700	350	\$0	\$4	\$12	\$25	\$42	\$63	\$85	\$108	\$131	\$154
800	400	\$0	\$5	\$14	\$28	\$48	\$72	\$98	\$123	\$149	\$176
900	450	\$0	\$5	\$16	\$32	\$54	\$81	\$110	\$139	\$168	\$199
1,000	500	\$0	\$6	\$18	\$35	\$60	\$90	\$122	\$154	\$187	\$221

Differences shown are for each fiscal year, total of each row would be the cumulative effect per person

Senate Bill 88

A Bridge to Development

*A Policy on General Fund
Revenue Shortfall*

April 5, 2005

www.akrepublicans.org/wilken

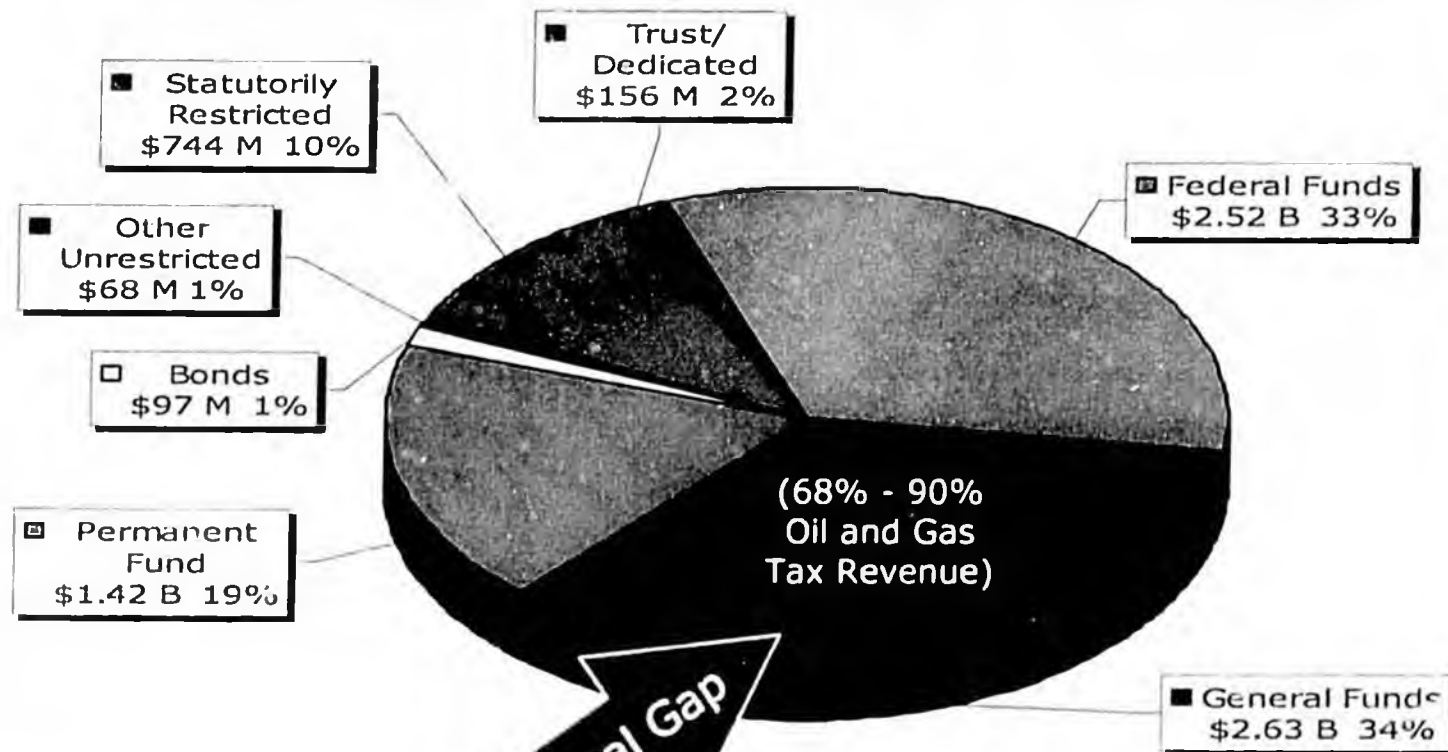
"It is the policy of the State of Alaska that the amounts necessary to cover a projected shortfall in general fund revenue during a fiscal year be appropriated equally from the Constitutional Budget Reserve fund and the Earnings Reserve Account."

AS 37.07.010 *Executive Budget Act*

SB 88
says

Why? Where's the problem?

FY06 Operating & Capital Budgets - \$7.6 Billion

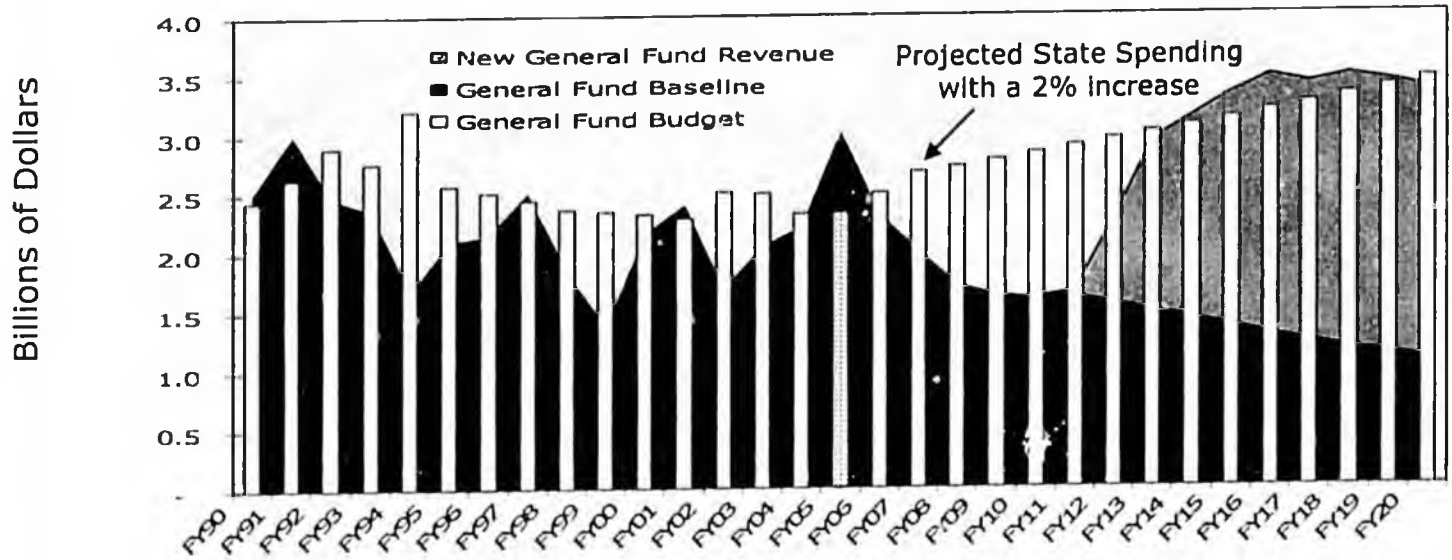


Home of the Fiscal Gap

FY06 Budget as proposed by Governor Murkowski

Source: Legislative Finance

... What's the problem?



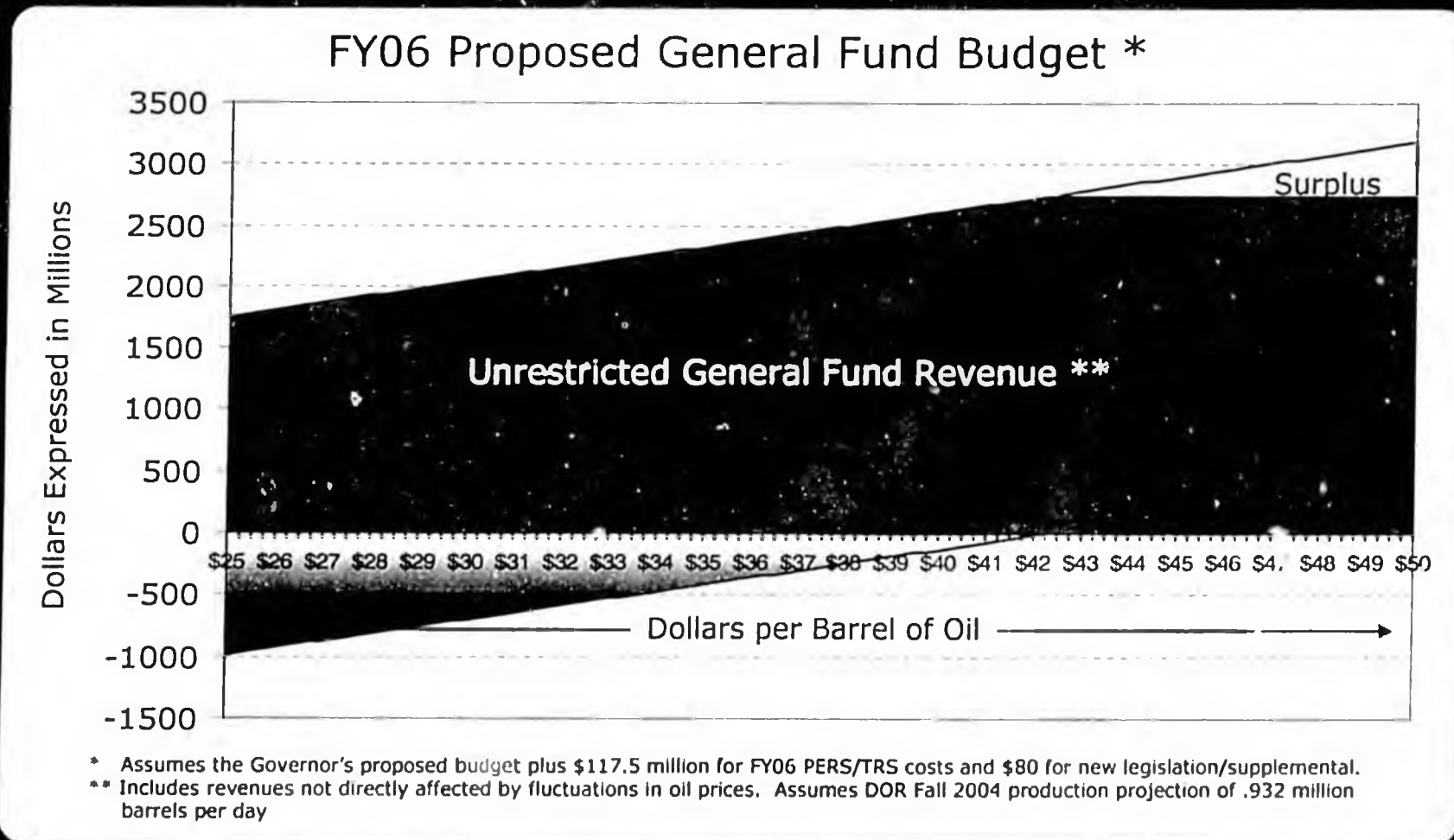
\$2.3 B. General Fund base budget with FY06 & FY07 PERS unfunded liability adjustments.

Source: Legislative Finance

General Fund revenue can be less than General Fund expenditures.

. . . and things can change quickly

"For the Good or for the Bad"



Source: Legislative Finance

... and they have

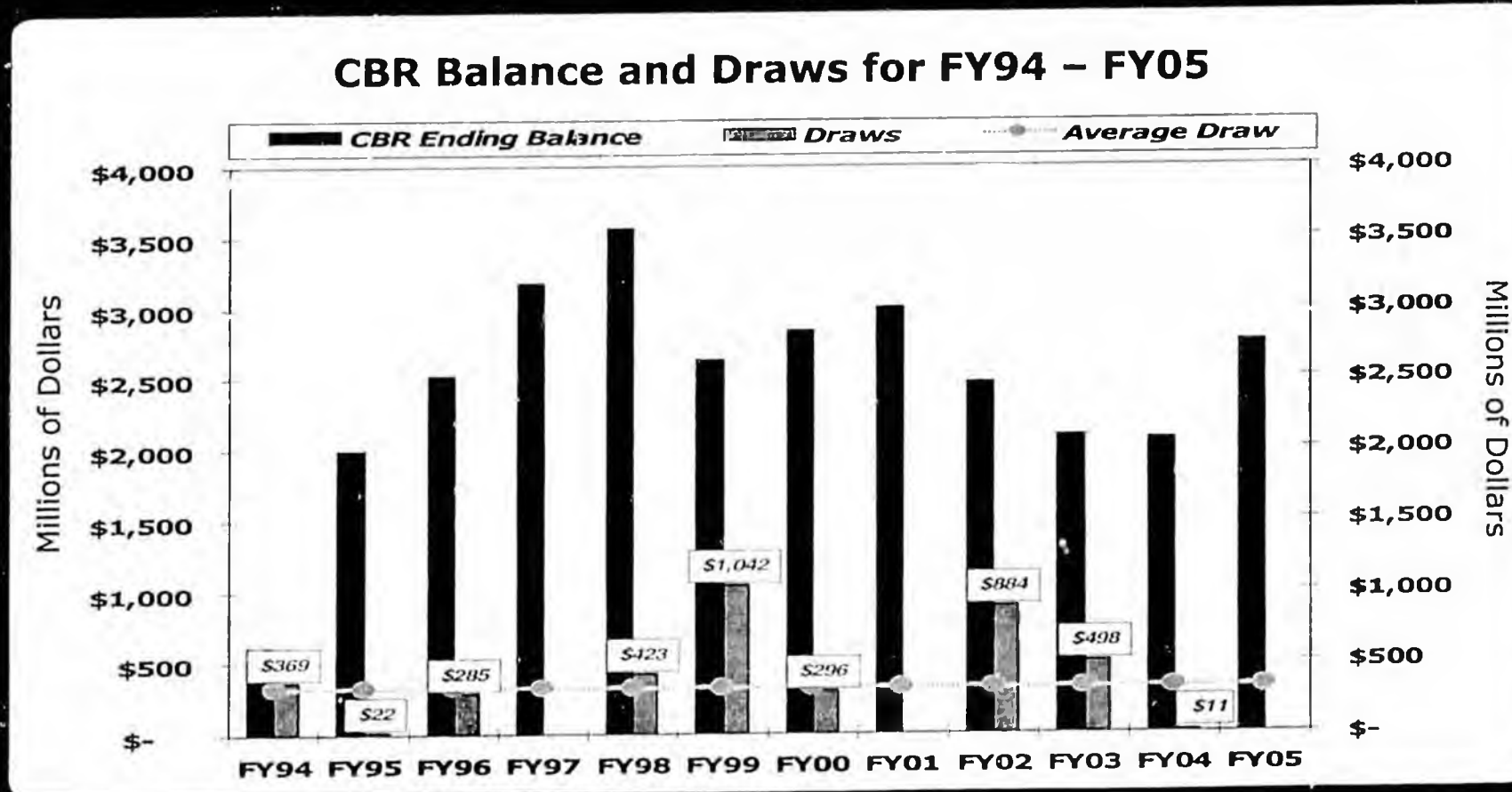
**ALASKA CONSTITUTION
ARTICLE IX**

Section 17. Budget Reserve Fund (a)
There is established as a separate fund in the State treasury the budget reserve fund. Except for money deposited into the permanent fund under Section 15 of this article, all money received by the state after July 1, 1990, as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation in a State or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments of bonuses, or involving taxes imposed on mineral income, production, or property, shall be deposited in the budget reserve fund. . . . Money may be appropriated from the fund only as authorized under (b) or (c) of this section.

Voters approved amendment in 1990.

- The CBR has been used to fill the fiscal gap 8 out of 12 years.
- Approximately \$5.5 billion has been withdrawn.
- The state has deposited into the CBR \$5.6 billion and earned \$1.6 billion in interest.

... for example



Source: Legislative Finance

- Draw 9 out of 12 years
- Average draw \$318 M
- Current balance \$2.1 B

. . . Alaska is a resource state

"Alaska has about 22 percent of the nation's "known" oil reserves and 19 percent of the country's known natural gas."
Governor Murkowski, 12/14/2003

"\$53.9 million in NPR-A bids offered"
Fairbanks Daily News-Miner, 6/3/04

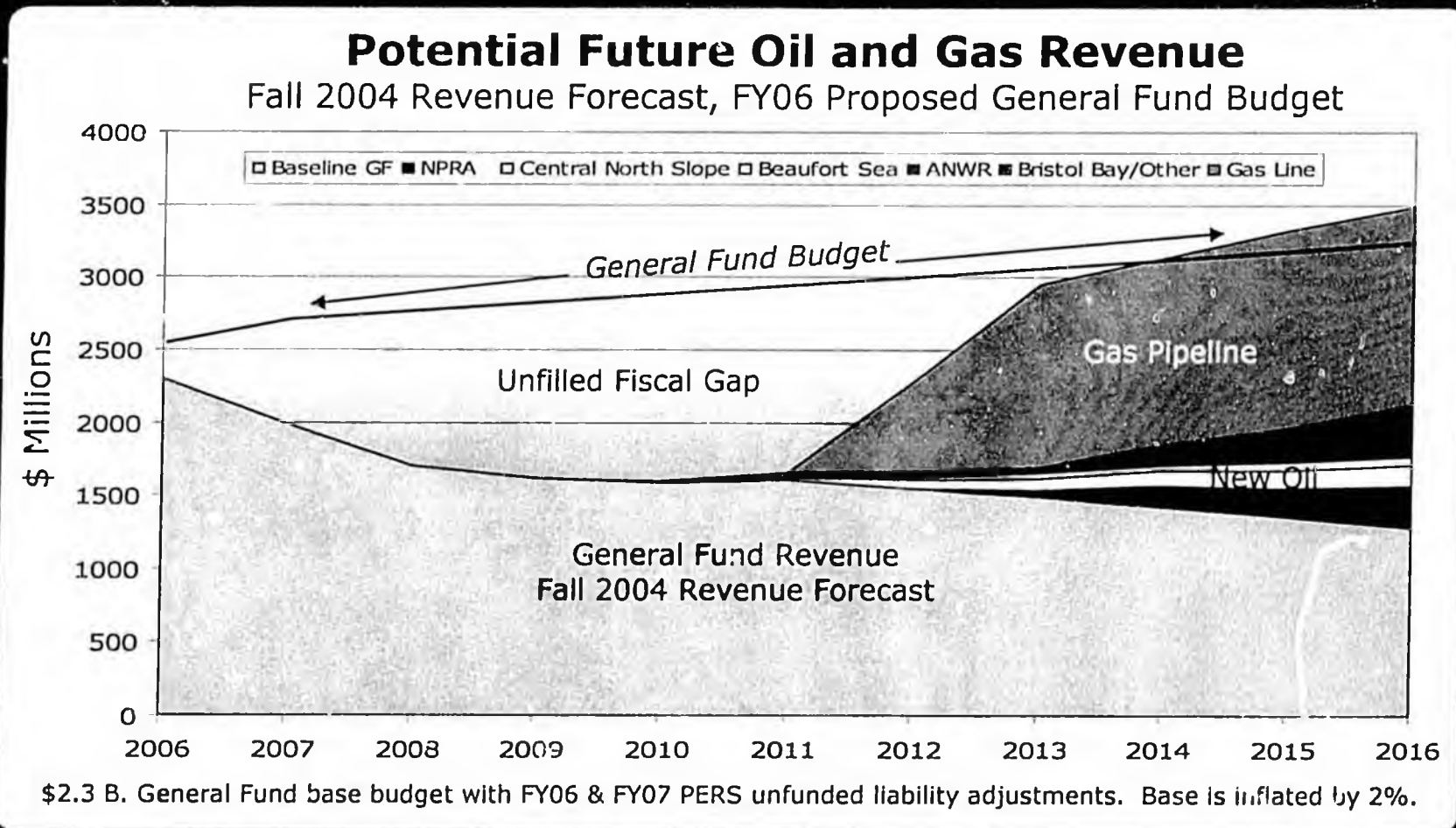
"TransCanada submits application to state, says 2012 start-up possible"
Petroleum News, 6/6/04

"Federal land managers proposed giving oil drillers access to a forbidden chunk of the North Slope national petroleum reserve."
Anchorage Daily News, 6/10/04

"Alaska officials consult bankers on gas pipeline"
Bond News, May 27, 2004

... a bridge is needed

From Today to Development



Source: Office of Management and Budget

Several Pots of Money



Reduce State Spending
(Save a \$, Earn a \$)

Income Tax
(\$600 M)



Corporation Tax
(\$50-\$100 M)



Other Revenue
(Tobacco Tax, Alcohol Tax,
Fisheries Tax, Car Rental
Tax, Studded Tire Fee, etc.)



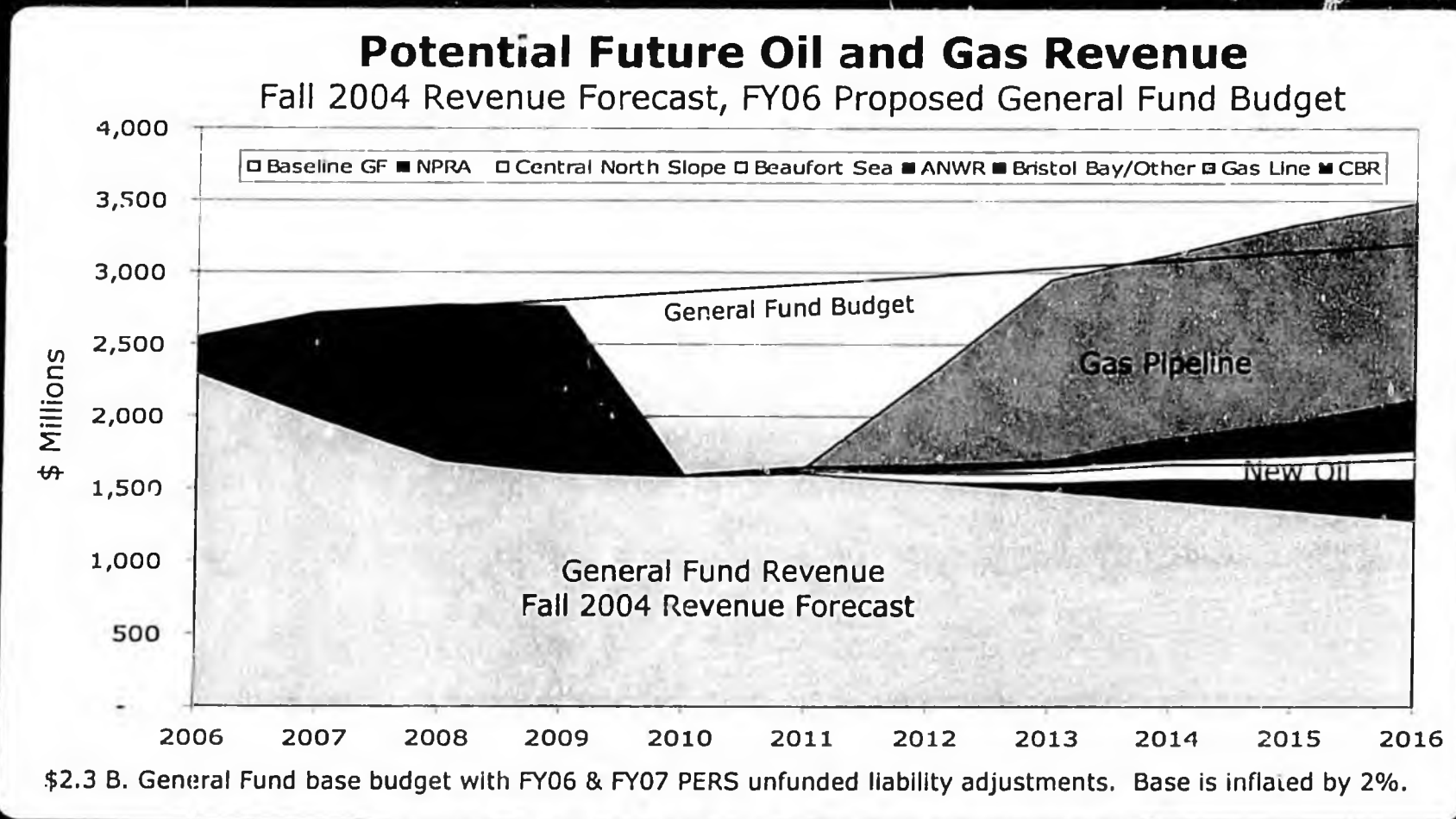
Sales Tax
(\$200-\$300 M)

Alaska Perm Fund Financial Projections
December, 2004

CBR
(\$2.1 B)
(Constitutional Budget Reserve)



... why not just the CBR?



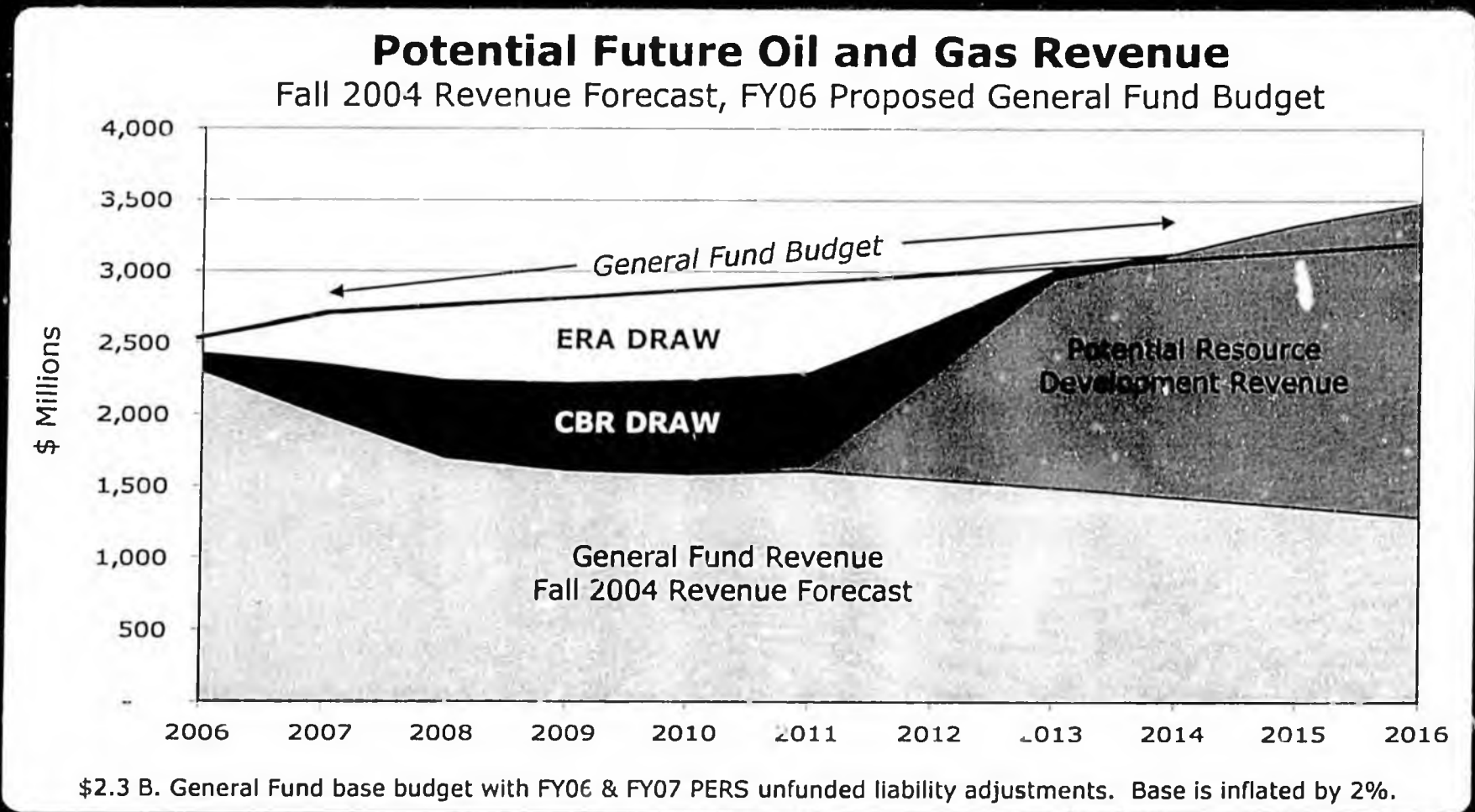
Source: Legislative Finance and OMB (Based on Fall 2004 Revenue Forecast)

. . . so what if . . .

The Legislature splits the
future fiscal gaps with
equal contributions from
the Constitutional Budget
Reserve and the Earnings
Reserve Account?

(SB 88)

... and we build a bridge



Source: Legislative Finance and OMB (Based on Fall 2004 Revenue Forecast)

... but can we?

***An Alaskan's
Guide to the Permanent Fund***

The Fund would help create an investment base to continually generate future income. When oil ran out, Alaska would still have a major source of state revenues. Alaskans could use these revenues to pay the costs of basic government services, or for whatever purposes future generations of Alaskans decided.

Each year, the Fund would channel a significant portion of the oil revenues away from the legislature. Less state income reduces the opportunity for excessive state spending.

The Fund would transform non-renewable oil wealth into a renewable source of wealth for future generations of Alaskans.

Alaska Permanent Fund Corporation
9th Edition, 1998, Pages 1 & 2

Yes, We Can!!!!

The Earnings Reserve Account, a result of wise investment of our Permanent Fund, has been and still is available to the legislature by a simple majority vote of 21-11.

PF financial projections say . . .

ALASKA PERMANENT FUND FUND FINANCIAL HISTORY & PROJECTIONS as of December 31, 2004

* As of Dec. 2004, statutory net income is trending to end the fiscal year more than 25% below the mid case.

FY	Reserved Fund Balance - Principal					Unrealized Gain (Loss)		FY-End Reserved Balance	Unreserved Fund Balance				Realized Earnings Account		FY	TOTAL FUND BALANCE	
	FY-Begin Contrib. Balance	Appro- pations	Dedicated State Revenues	Inflation Proofing	FY-End Contributions	Net Change	FY-End Balance		Acct. Net Income	Statutory Net Income	Dividends	Inflation Proofing	General Fund	Net Change			FY-End Balance
77-98	0	6,734	6,250	5,333	18,317	3,571	3,571	22,488	20,683	18,667	7,589	5,531	268	1,389	1,389	77-98	
99	18,517	41	155	288	19,001	(430)	3,541	22,542	2,148	2,544	1,045	288	3	1,301	2,960	99	
00	19,001	264	316	423	20,014	(17)	3,579	23,543	2,249	2,222	1,172	423	3	382	2,872	00	
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	
02	21,047	(23)	258	802	21,884	(678)	505	22,389	(617)	257	926	802	5	(1,248)	1,136	02	
03	21,884	354	398	352	22,938	601	1,106	24,094	963	355	691	352	0	(1,035)	100	03	
04	22,988	(130)	353	524	23,526	1,969	3,015	26,541	3,434	1,502	581	176	0	759	856	04	
10% 05	23,526	19	476	624	24,645	(2,996)	19	24,664	(1,509)	1,468	502	624	0	342	1,201	05	
25% 05	23,526	21	476	624	24,647	(2,022)	993	25,640	(94)	1,717	548	624	0	735	1,994	05	
Mid 05	23,526	27	476	624	24,653	(453)	2,562	27,215	2,048	2,174	606	624	0	1,242	2,101	05	
25% 05	23,526	28	476	624	24,654	1,069	4,084	28,738	4,187	3,090	672	624	0	1,794	2,653	05	
10% 05	23,526	31	476	624	24,657	2,125	5,140	29,796	5,785	3,609	777	624	0	2,259	3,118	05	
06	24,653	21	356	650	25,681	180	2,742	28,423	2,190	1,988	690	650	0	648	2,749	06	
07	25,681	23	212	876	26,891	191	2,934	29,825	2,328	2,114	865	876	0	553	3,302	07	
08	26,891	24	700	777	27,660	202	3,136	30,796	2,457	2,231	1,082	700	0	448	3,750	08	
09	27,660	26	725	751	28,643	212	3,348	31,991	2,578	2,340	1,170	725	0	445	4,195	09	
10	28,643	28	751	777	29,651	223	3,571	33,222	2,701	2,451	1,168	751	0	532	4,727	10	
11	29,651	30	777	751	30,889	234	3,805	34,694	2,834	2,570	1,229	777	0	564	5,291	11	
12	30,889	32	794	777	32,494	246	4,051	35,799	2,972	2,694	1,290	804	0	600	5,891	12	
13	31,749	34	804	777	33,494	258	4,308	37,137	3,114	2,822	1,352	831	0	639	6,531	13	
14	32,829	37	804	777	34,930	270	4,579	38,509	3,263	2,956	1,417	859	0	680	7,210	14	
15	33,930	39	793	777	35,951	284	4,862	39,314	3,417	3,094	1,484	887	0	727	7,937	15	
Cumulative Totals																	
Proj. for 2005-2015																	
321 2,919 1,847 29,901 27,732 12,375 8,284 0 7,074																	

ERA \$2,101 M

Return 7.04%

Assumptions:	Total Return - Inflation	Total Real	Statutory Return
10% FY 2005	5.20%	2.60%	7.86%
25% FY 2005	-0.14%	2.60%	2.74%
Mid FY 2005	7.61%	2.60%	5.01%
25% FY 2005	15.35%	2.60%	12.75%
10% FY 2005	20.58%	2.60%	17.98%
FY 2006-2015	7.61%	2.60%	5.01%

Notes to financial results and projections FY77 - FY15:

- Special general fund and earnings reserve appropriations to principal royalty settlement earnings transferred to principal per AS 37.13.145(d) and other miscellaneous appropriations to principal.
- Final adjustment to principal based on recalculation of State of Alaska America's Hets et al royalty case.
- FY01 Senate Bill 100 transferred \$354 million from realized earnings account to principal.
- Senate Bill 2011 defines the FY03 special appropriation of \$354 as per FY04 inflation proofing and appropriate the remaining \$170 million needed to fully inflation proof contributions and appropriations in FY04. An additional \$15 million in settlement earnings (earnings above inflation) is appropriated to principal per AS 37.13.145(d).
- Statutory inflation proofing for FY04 is based on the inflation rate of 2.28% or \$524 million (\$354 million pre-inflation proofing plus \$170 million FY04 appropriation).
- Accounting net income is statutory net income plus the net change in unrealized gains (losses) and settlement earnings. Statutory net income is realized earnings less settlement earnings and is used to calculate the annual dividend transfer.
- Total Fund equals reserved fund balance plus the realized earnings account.
- Based on 2004 Calan capital market assumptions and a range of expected returns based on the probability of the return outcomes.
- Based on 2004 Calan capital market assumptions and median expected returns (the mid case). Actual results will vary from projections.

Income year-to-date as of December 31, 2004

FY04 Statutory net income	
Interest, dividends, real estate & other income	\$ 419.4
Realized gains on the sale of invested assets	404.8
Less operating expenses	(122.8)
Statutory net income	\$ 801.6

FY05 GAAP (accountant) net income	
Statutory net income	\$ 801.6
Adjustment for unrealized gains (losses) on invested assets	1,573.0
Accounting net income (loss)	\$ 2,373.7

PERFORMANCE SUMMARY (Preliminary as of December 31, 2004)	Current	Last 3	Fiscal 0	Calendar 0	Last 12	Last 3	Last 6
	Month	Months	Y-T-D #	Y-T-D #	Months	Years	Years
Alaska CDs	0.18%	0.48%	0.88% #	1.85% #	1.85%	1.87%	3.12%
Domestic Fixed Income	0.94%	1.01%	4.16% #	4.27% #	4.27%	6.11%	7.86%
Non-Domestic Fixed Income	1.73%	6.74%	10.89% #	9.99% #	9.99%	12.88%	8.09%
Domestic Equities	3.67%	10.60%	7.87% #	12.12% #	12.12%	8.18%	-0.58%
Non-Domestic Equities	4.26%	14.54%	15.22% #	17.81% #	17.81%	11.66%	-0.74%
Real Estate	3.03%	8.82%	14.12% #	20.74% #	20.74%	16.87%	14.42%
Absolute Return	N/A	1.90%					
Total Fund	2.71%	8.68%	8.70% #	11.38% #	11.38%	8.32%	4.44%
Total Fund Return Benchmark	2.67%	7.90%	8.74%	11.64%	11.64%	8.75%	3.91%

For more information see www.apfa.org

December 31, 2004

Our Permanent Fund and our Earnings Reserve

