

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

4556 HHS HB 363 - HB 368

128

H B

363

HOUSE COMMITTEE REPORT

(7)

Date referred: 1/15/88

FURTHER REFERRALS: Finance

DATE: 3-9-88

The Health, Education and Social Services Committee has considered HB 363

"An Act relating to conditions of scholarship loans."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Dave Dealey

George Shalby - *Re-consider additional interest provision*

Alto Kopman

Bill Hudson - NO Rec.

Mr. Kennedy / no rec

Bill E. Bell - No Rec

Ellis - No Rec.

Alto E. Kopman
Co-Chairman's signature

Ellis

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

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May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H HESS	2-26-88	8:30 a.m.
H HESS	3-9-88	8:30 a.m.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: RE: Conditions of Scholarship
Loans
Sponsor: Sund, Frank, Koponen, Navarre
Requestor: _____

Agency Affected: Education
BRU: Postsecondary Commission
Components: Student Loan Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	N.A.	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE				52.7	260.0	836.7

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER				(52.7)	(260.0)	(836.7)
TOTAL				(52.7)	(260.0)	(836.7)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See Attached

Prepared by: Kerry D. Romesburg, Executive Director Phone: 465-2854
Division: Commission on Postsecondary Education Date: 1/22/88

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

HB 363
Revised Analysis of Fiscal Impacts

Impact on Borrower:

1. Interest accrual during in-school periods will increase the total indebtedness by that accumulated interest amount. The amount of the accrued interest would vary with the amount of the loan and the time spent in school after borrowing.

2. Example:

(a) \$1,000 borrowed (one time only)

<u>Years in School</u>	<u>Additional Interest</u>	<u>Additional Monthly Payment</u>
1 year	\$ 60.00	\$0.50
2 years	\$140.00	\$1.17
4 years	\$300.00	\$2.50

(b) \$5,500 borrowed each year

<u>Years in School</u>	<u>Total Debt</u>	<u>Additional Interest</u>	<u>Additional Monthly Payment</u>
1 year	\$ 5,500	\$ 330.00	\$ 2.25
2 years	\$11,000	\$1,100.00	\$ 9.17
4 years	\$22,000	\$3,960.00	\$33.00

(c) Total repayment after 10 years

<u>Loan</u>	<u>Total Repaid Current Program</u>	<u>Total Repaid Proposed</u>
\$22,000	\$33,791.60 @ \$281.60 per month	\$37,751.60 @ \$314.60

3. Forgiveness impact will not be realized for a number of years.

HB 363
Revised Analysis of Fiscal Impacts

Assumptions:

1. Borrowers time in school will approximate:

1 year	15%
2 years	22%
3 years	35%
4 years	21%
5 years	5%
6 years	2%
	100%

2. Loan volume is arbitrarily set at figures used for previous analyses. Actual volume may vary substantially, but relationship of fiscal impacts will remain proportionate.
3. Loan default rate and repayment patterns may be altered by the additional debt burden of interest accrual, but any estimate of these impacts is left out of this analysis.

Analysis:

YEARLY FISCAL IMPACT OF AMENDMENTS

(1) <u>Year</u>	(2) <u>Loan Volume</u>	(3) <u>Forgiveness</u>	(4) <u>Cumulative</u>	(5) <u>In-School Interest</u>	(6) <u>Cumulative</u>
1988-89	\$ 80.3	None		None	
1989-90	80.7	None		None	
1990-91	81.0	None		(52,656)	
1991-92	82.9	None		(259,967)	(259,967)
1992-93	85.3	None		(836,708)	(1,096,675)
1993-94	87.3	None		(1,710,679)	(2,807,354)
1994-95	88.4	None		(2,677,189)	(5,484,543)
1995-96	88.4	285,739	285,739	(3,694,258)	(9,178,801)
1996-97	88.4	812,908	1,098,647	(4,727,733)	(13,906,534)
1997-98	88.4	1,821,711	2,920,358	(5,784,394)	(19,690,928)
1998-99	88.4	3,119,056	6,039,414	(6,863,481)	(26,554,409)
1999-00	88.7	4,487,042	10,526,456	(7,958,642)	(34,513,051)
2000-01	91.2	5,684,418	16,210,874	(9,008,659)	(43,521,710)
2001-02	93.0	6,597,344	22,808,218	(9,906,280)	(53,427,990)
2002-03	94.2	7,052,426	29,860,644	(10,435,046)	(63,863,036)
2003-04	95.1	7,237,560	37,098,204	(10,666,587)	(74,529,623)
2004-05	96.2	7,356,249	44,454,453	(10,805,589)	(85,335,212)
2005-06	97.3	7,425,482	51,879,935	(10,894,032)	(96,229,244)
2006-07	98.5	7,462,909	59,342,844	(10,966,069)	(107,195,313)
2007-08	99.5	7,472,066	66,814,910	(11,014,921)	(118,210,234)
2008-09	100.5	7,483,554	74,298,464	(11,041,354)	(129,251,588)
2009-10	101.5	7,518,828	81,817,292	(11,051,705)	(140,303,293)
2010-11	102.7	7,587,969	89,405,261	(11,054,544)	(151,357,837)



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

September 9, 1987

MEMORANDUM

TO: Representative John Sund
ATTN: Shari Kochman
FROM: David Teal, Director *Teal*
RE: State Subsidy of Student Loans
Research Request 88.038

You asked us to calculate the effective State subsidy of Alaska student loans under three scenarios:

1) the pre-1987 program, which offered loans:

- at an interest rate of eight percent;¹
- with no interest accrued while the student remained in school or during a one-year grace period after completion of schooling; and
- with a forgiveness provision which reduced the debt by ten percent--to a maximum of 50 percent--for each year in which a successful student resided in Alaska following graduation.

2) the current program, which offers loans:

- at an interest rate of eight percent;
- with interest accruing upon graduation (i.e., no grace period); and
- no forgiveness provision.

¹Loans were offered at an interest rate of five percent prior to 1986. I have not included the older program in this discussion, but will do so if you wish.

3) a proposal which would offer loans:

- on which eight percent annual interest would accrue from the date of the loan; and
- with the forgiveness provisions that existed prior to the 1987 legislation.

Table 1 provides the information you requested for the three options and for loans without deferment or forgiveness subsidies. The table is divided into two sections--the left side refers to loan provisions as they relate to a single loan; the right side contains adjustments for default and forgiveness, thereby presenting program statistics rather than statistics for an individual loan. In both cases, subsidies are computed by comparing the total loan repayment with the amount the State would recover on an unsubsidized loan.² Default adjustments simply reduce the State's recovery by 16.8 percent (the current default rate for the program); adjustments for forgiveness assume that the past rate of forgiveness--one-sixth of all money loaned--continues.

The table indicates that individual loans could receive a State subsidy of 50 percent under your proposal, compared with a 16.8 percent subsidy under the current program. However, because all loans are subject to deferment provisions while only one-sixth of principal is expected to be forgiven, adjustments must be made in order to fairly compare the effect of the forgiveness and deferment provisions. After adjusting for participation rates, one can see (in the right side of the table) that the forgiveness provision is less costly to the State than deferment of interest (27.9 percent subsidy vs. 30.8 percent subsidy). In dollar terms, your proposal would cost about \$6.6 million per year vs. the \$8.4 million cost of interest deferment (assuming a \$60 million per year loan program).

²Effective interest rates are provided for individual loans, but because the effective interest rate is affected by the timing of payments, I am not able to calculate effective interest rates for program provisions without making a series of unsupportable assumptions. Some assumptions were necessary. For example, I have assumed that all loans are for \$20,000 for a four-year curriculum, and that there are no defaults by students who take advantage of forgiveness provisions.

TABLE 1
 SUBSIDY CALCULATIONS FOR VARIOUS STUDENT LOAN PROVISIONS
 Applicable to Loans of Two \$2,500 Installments in each of Four Successive Years
 at an Interest Rate of Eight Percent per Year

	Program Statistics									
	Individual Loans				Default Rate= 16.8%			Annual cash flow for a \$60 million per year Loan Program (in millions)		
	Amount Recovered by State	Percent Recovered	Percent Subsidy	Effective Interest Rate	Amount Recovered by State*	Percent Recovered	Percent Subsidy	Amount Recovered by State	Net Cost	Cost Excluding Default
No Subsidy (no deferment no forgiveness)	\$37,890	100.0%	0.0%	8.00%	31,524	83.2%	16.8%	\$49.9	\$10.1	\$0.0
Old Program (5 year deferment with forgiveness)	14,559	38.4%	61.6%	-20.87%	22,466	59.3%	40.7%	35.6	24.4	14.3
Current Program (4 year deferment no forgiveness)	31,535	83.2%	16.8%	3.94%	26,237	69.2%	30.8%	41.5	18.5	8.4
Proposal (no deferment but forgiveness)	18,945	50.0%	50.0%	-11.85%	27,331	72.1%	27.9%	43.3	16.7	6.6

*These amounts are adjusted for default (16.8 %) and for application of the forgiveness provision (1/6 of principal). Default is assumed to be nonexistent for all loans forgiven.

Prepared by the House Research Agency, September 1987 (08-03-87-03; 88.038).

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

TABLE 1
 SUBSIDY CALCULATIONS FOR VARIOUS STUDENT LOAN PROVISIONS
 Applicable to Loans of Two \$2,500 Installments in each of Four Successive Years
 at an Interest Rate of Eight Percent per Year

	Individual Loans				Program Statistics			Annual cash flow for a \$60 million per year Loan Program (in millions)			
	Amount Recovered by State	Percent Recovered	Percent Subsidy	Effective Interest Rate	Default Rate= 16.8%	Amount Recovered by State*	Percent Recovered	Percent Subsidy	Amount Recovered by State	Net Cost	Cost Excluding Default
No Subsidy (no deferment no forgiveness)	\$37,890	100.0%	0.0%	8.00%		31,524	83.2%	16.8%	\$49.9	\$10.1	\$0.0
Old Program (5 year deferment with forgiveness)	14,559	38.4%	61.6%	-20.87%		22,466	59.3%	40.7%	35.6	24.4	14.3
Current Program (4 year deferment no forgiveness)	31,535	83.2%	16.8%	3.94%		26,237	69.1%	30.8%	41.5	18.5	8.4
Proposal (no deferment but forgiveness)	18,945	50.0%	50.0%	-11.85%		27,331	72.1%	27.9%	43.3	16.7	6.6

*These amounts are adjusted for default (16.8 %) and for application of the forgiveness provision (1/6 of principal). Default is assumed to be nonexistent for all loans forgiven.

Prepared by the House Research Agency, September 1987 (08-03-87-03; 88.03B).

I believe the table answers your questions, but this memorandum would be incomplete without the following comments.

The numbers presented are approximations. I have had to make some simplifying assumptions concerning default and forgiveness. In addition, I have avoided complexities such as the relationship between loan balance, interest rate and the default rate; the fact that not all loans are made to students who enter or remain in a four-year curriculum; and changes in funding levels or economic conditions. The table may serve as a guide, but you should be aware that the analysis is not highly sophisticated.

As you know, interest deferment applies to all borrowers while forgiveness applies only to those borrowers who both successfully complete their curriculum and who return to Alaska for a number of years. I have not discussed political or philosophical issues such as targeting groups of borrowers, the interchangeability of deferment and higher interest rates, or the possibility of providing incentives to return to Alaska or to use the federal student loan program instead of the Alaska program. The spreadsheet developed to produce the information contained in Table 1 can be used for these purposes, and I offer the spreadsheet and/or our assistance in investigating these issues. I have attached a summary of the spreadsheet output to this memorandum.

In a digression from the focus of this project, I was discussing the bonding provisions of the 1987 legislation with Kerry Romesburg, executive director of the Postsecondary Commission, who voiced some concern that no bonds may be issued. Although the legislature gave the authority to bond, they did not direct that bonds be used to finance the program. If bonds are not issued, it could have an impact on the capital and/or operating budgets. I would be pleased to do some further checking on this subject if you wish me to do so.

You asked for 25-year projections of State costs. Given the level of sophistication of the analysis to date, I hesitate to do more than multiply the "net cost" figures in Table 1 by 25. Doing so produces the following results:

no subsidy	\$252 million
old program	610 million
current program	462 million
proposal	417 million

If you have any questions or would like us to do additional work, please call me.

Attachment

STUDENT LOAN ANALYSIS

Nominal Interest Rate: 8.00%
 Interest Deferred While in School? 1 (0=no;1=yes,2=no grace year)
 Forgiveness (Years): 5

Years Until Repayment	Annual Loan	Balance	Balance + Interest
5	\$5,000	\$5,000	\$5,309.18
4	\$5,000	\$10,000	\$11,059.02
3	\$5,000	\$15,000	\$17,286.09
2	\$5,000	\$20,000	\$24,030.01
1	\$0	\$20,000	\$26,024.49

Loan Balance at First Payment: \$20,000.00
 Monthly Payment \$242.66
 PSC Interest Computation: \$9,118.62
 PSC Interest Forgiven: \$0.00

Actual
 Interest Due: \$4,723.10
 Interest Paid: \$4,723.10
 Interest Forgiven: \$0.00
 Principal (+ Deferred Int.) Forgiven: \$10,163.79
 Principal (+ Deferred Int.) Repaid: \$9,836.21
 Prin. and Int. Recovered: \$14,559.31
 Effective Interest Rate: -20.87%

Prepared by the House Research Agency 09-Sep-87

Payment Number	Balance	Payment	Interest	Principal	Balance
		-26024			
1	20,000.00	242.66	133.33	109.32	19,890.68
2	19,890.68	242.66	132.60	110.05	19,780.63
3	19,780.63	242.66	131.87	110.78	19,669.84
4	19,669.84	242.66	131.13	111.52	19,558.32
5	19,558.32	242.66	130.39	112.27	19,446.05
6	19,446.05	242.66	129.64	113.01	19,333.04
7	19,333.04	242.66	128.89	113.77	19,219.27
8	19,219.27	242.66	128.13	114.53	19,104.74
9	19,104.74	242.66	127.36	115.29	18,989.45
10	18,989.45	242.66	126.60	116.06	18,873.39
11	18,873.39	242.66	125.82	116.83	18,756.56
12	18,756.56	242.66	125.04	117.61	18,638.95
13	18,638.95	242.66	110.93	131.73	16,507.22
14	16,507.22	242.66	110.05	132.61	16,374.62
15	16,374.62	242.66	109.16	133.49	16,241.12
16	16,241.12	242.66	108.27	134.38	16,106.74
17	16,106.74	242.66	107.38	135.28	15,971.47
18	15,971.47	242.66	106.48	136.18	15,835.29
19	15,835.29	242.66	105.57	137.09	15,698.20
20	15,698.20	242.66	104.65	138.00	15,560.20

Prepared by the House Research Agency, September 1987 (88.038; 08-03-87-43).

TITLE: STUDENT LOAN PROPOSAL

DATE: 2/15/88

SPONSOR: HAYES THROUGH GRAIF, SMITH, HOFF, WILLIAMS, ROWSE

WHEREAS, the students of UAF are supporting amending HB 363, to reinstate the forgiveness clause in the Alaska State Student Loan, and the original intent to benefit student that remain in/return to Alaska after graduation, and,

WHEREAS, approximately nine percent of borrowers have actually qualified for forgiveness, and,

WHEREAS, no state in the nation charges interest on student loans while a student is in school, and,

WHEREAS, students feel that interest accruing while in school is a unjust economic burden, and,

WHEREAS, students support a six month grace period on the interest of the loan, and repayment starting one year after graduation, the same terms as the National Guaranteed Student Loan, and,

WHEREAS, with eight percent interest accruing during school, students that do not qualify for forgiveness for any number of reasons will end up owing an enormous debt.

THEREFORE BE IT RESOLVED that the students of the University of Alaska Fairbanks unanimously support amending HB 363 to reinstate the forgiveness clause as it was originally worded implementing a six month grace period after graduation on interest accrual.

BE IT FURTHER RESOLVED that this proposed amendment to HB 363 be forwarded to the Governor of Alaska, members of the Alaska State Legislature, and members of the Alaska Post Secondary Education Commission.

SENATE PRESIDENT

SENATE CLERK

ASUA PRESIDENT

Greg Graif 2-15-88

Kristen M. Anderson 2-15-88

John Foster Wallace 2/15/88

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

BILL SHEFFIELD, GOVERNOR

POUCH FP
JUNEAU, ALASKA 99811
PHONE: (907) 465-2854

MEMORANDUM

TO: Members of the Alaska Commission on Postsecondary Education

Ms. Alice Bosshard, Chair	Senator Joe Josephson
Ms. Patricia Abney	Ms. Laura Kelley
Mr. John Chenoweth	Representative Niilo Koponen
Dr. Patricia Clark	Mr. Kenneth Knox
Mr. Gordon Evans	Ms. Barbara Shaffer
Mr. John Havelock	Ms. Bettye Smith
Mr. Mark Helmericks	Ms. Barbara Thompson

FROM: Kerry D. Romesburg, Executive Director
Alaska Commission on Postsecondary Education

DATE: February 24, 1988

HB 363 Position Recommendation

The Alaska Commission on Postsecondary Education has not met and formalized a position on HB 363 and will not meet until March 25-26, 1988. The following is only staff recommendation and analysis and does not represent an agency position.

Sectional Analysis

Section 1 of the bill provides for interest on a loan to accrue the entire time a loan is held, and to charge this accrued interest to the borrower. This is a considerable change from the current policy of "waiving" the accrued interest while a borrower is in school or in a deferment classification.

Section 2 provides that although interest accrues the entire time a loan is held, payment of that interest shall be deferred until the borrower is out of school or out of deferment.

Section 3 reinstates the 50% "forgiveness" program. This is the same forgiveness which was deleted last year.

Section 4 repeals the current language under which interest is "waived" while a borrower is in school or in deferment.

Discussion

There are three principal issues to be considered in deliberations on HB 363. These are: impact of student loan bonding, student indebtedness level, and benefits of a forgiveness program.

Impact of student loan bonding. The handling of loan forgiveness changes when the loans are pledged against bond issues rather than simply being held by the State. If the State holds the notes and wishes to forgive, or write-off, portions of indebtedness, there is no immediate problem. The income stream to be generated by the portfolio is impacted in future years, but that is the only fiscal impact.

If the portfolio is pledged against bond issues, forgiving portions of indebtedness has both an immediate and a long-term impact. The immediate effect is that it takes a larger portion of the portfolio to secure an issue. Uncertainty of income is created. Secondly, the long-term cash flow is diminished, thereby reducing the program's ability to support multiple bond issues.

This can be avoided or off-set in a couple of ways. One, the State could annually appropriate to the loan fund, the amount of forgiveness for that year. This done, there is no diminution of income stream.

Second, the State could impose new conditions which would generate enough program revenue to off-set the costs of forgiveness. Imposing repayment of interest accrued while in school or deferment accomplishes this.

Student indebtedness. The size of student loan indebtedness has long been a concern of the Postsecondary Commission. The additional interest indebtedness which HB 363 imposes on borrowers can be substantial. For example, instead of a student being in debt \$22,000 at graduation, that same student would owe \$25,960 at graduation under this bill (an increase of 18%).

Certainly, the impact is less on vocational borrowers, since they usually only have a year, or less, of in-school status. The greatest impact would be on a student who attends college and graduate school.

Benefits of a forgiveness program. The purpose of forgiveness is to encourage or entice a student to live in Alaska after completion of postsecondary education studies. A very real question exists as to the effectiveness of such a program. Certainly, the higher the debt burden and the more generous the forgiveness, the more effective it would seem. When the Commission surveyed graduates in 1984, it was found that those choosing to live in Alaska did so principally because "Alaska is home" or

Members of the Alaska Commission on
Postsecondary Education
February 24, 1988
Page 3

"job availability". Only 8.4% of the respondents living in Alaska indicated that loan forgiveness was a principal determinant in their decision to live here.

The other point which should not be missed is that under the past forgiveness program only about one person in six actually qualified for and received forgiveness. When making a loan, most borrowers assumed they would only pay back half of what they were borrowing, but experience proved that to be quite misleading.

Recommendation

The Executive Director recommends the Commission formally adopt a position in opposition to charging the student borrower for interest accrual during in-school and deferment periods and also in opposition to reinstatement of a general forgiveness program. The reasoning being that interest accrual greatly increases the debt burden for all borrowers, and a forgiveness program only benefits a small number of borrowers, and then probably rewards most of those for something they would have done without forgiveness.

TABLE 1
 SUBSIDY CALCULATIONS FOR VARIOUS STUDENT LOAN PROVISIONS
 Applicable to Loans of Two \$2,750 Installments in each of Four Successive Years
 at a Simple Interest Rate of Eight Percent per Year

Effective Interest Rates are based on comparison with
 money loaned at a rate of 8 % compounded monthly, so that
 total principal and interest = \$41,678.85

	Program Statistics									
	Individual Loans				Default Rate= 17.3%			Annual cash flow for a \$60 million per year Loan Program (in millions)		
	Amount Recovered by State	Percent Recovered	Percent Subsidy	Effective Interest Rate	Amount Recovered by State*	Percent Recovered	Percent Subsidy	Amount Recovered by State	Net Gain	Net Bond Payments from General Fund**
No Subsidy (no deferment no forgiveness)	\$37,752	90.6%	9.4%	5.78%	31,221	74.9%	25.1%	\$85.1	\$25.1	\$36.9
Old Program (5 year deferment with forgiveness)	16,016	38.4%	61.6%	-20.87%	22,075	53.0%	47.0%	60.2	0.2	61.8
Current Program (4 year deferment no forgiveness)	33,792	81.1%	18.9%	3.39%	27,946	67.1%	32.9%	76.2	16.2	45.8
Proposal (no deferment but forgiveness)	18,876	45.3%	54.7%	-15.32%	26,016	62.4%	37.6%	71.0	11.0	51.0

*These amounts are adjusted for default (17.3%) and for application of the forgiveness provision (1/6 of principal and interest).
 Default is assumed to be nonexistent for all loans forgiven.

**Assumes bonds in the amount of \$60 million are issued at 6% for 20 years.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

March 2, 1988

MEMORANDUM

TO: Representative John *ton PA*
ATTN: Shari Kochman
FROM: David Teal, Director *EA*
RE: Alaska Student Loan Program: Cost of Various Options
Research Request 88.196

When the student loan program began in 1971, the program offered loans at an interest rate of five percent and forgiveness of up to 40 percent of principal and accrued interest, with the amount forgiven dependent upon length of residency after completion of school. Generally, the program became more liberal over the years, eventually offering up to \$6,000 per year for undergraduate study and up to 50 percent forgiveness, with no accrual of interest until the first payment became due one year after completion of school. However, the 1986 Legislature raised the interest rate to eight percent and reduced the maximum loan amount to \$5,500 for undergraduates. In 1987, the forgiveness provision was deleted and the interest deferral period was modified to eliminate the one-year grace period.

You asked us to compare the cost of offering student loans under HB 363 with the cost of offering loans under the current program and under the forgiveness and interest accrual provisions in effect in 1986. HB 363 would reinstate forgiveness and eliminate provisions that allow students to avoid the accrual of interest while in school.

Table 1 compares various program options. The table may be more easily understood if divided into three parts. Columns 1 through 4 relate to an individual borrower taking full advantage of forgiveness provisions (if available). Columns 5 through 7 make adjustments for default and for application of the forgiveness provision. They indicate the degree of subsidy involved in each of several options--relative to a loan offered at eight percent (compounded monthly) with no default, no forgiveness, and

with interest accruing from the date of the loan.¹ Columns 8 through 10 present similar information, but as a cash flow rather than a percentage. The cash flow figures assume that \$60 million per year is loaned to students.

The "no subsidy" option indicates that use of simple interest--as opposed to compound interest as would be charged in a standard bank loan--results in a subsidy of 9.4 percent. When combined with a default rate of 17.3 percent, the state could expect to recover about 75 percent of the amount that would be recovered if loans were truly unsubsidized.² Column 9 shows that this option would be self-supporting--and could actually return money to the general fund--if the program loaned a constant amount in each year. The simple interest and default subsidies are included in each of the remaining options.

The table shows that the state would recover about five percent more under the current program than under HB 363. The numbers presented are approximations. I have had to make some simplifying assumptions concerning default and forgiveness. In addition, I have avoided complexities such as the relationship between loan balance, interest rate and the default rate; the fact that not all loans are made to students who enter or remain in a four-year curriculum; and changes in funding levels or economic conditions. The table may serve as a guide, but you should be aware that the analysis is not highly sophisticated and that the five percent difference between HB 363 and the current program is within the probable margin of error.

As you know, interest deferment applies to all borrowers while forgiveness applies only to those borrowers who both successfully complete their curriculum and who remain in Alaska for a number of years. The table presents program statistics and does not indicate the fact that those who return to, or remain in, Alaska would be far better off under HB 363 than under current law while those ineligible for forgiveness would be better off under the current program.

¹In this analysis, "subsidy" refers to any option that reduces the amount of principal or interest recovered by the state. Forgiveness, default, failure to accrue interest from the date of the loan, and use of simple interest are considered subsidies.

²The current default rate is about 17.3 percent. The default rate is affected by collection efforts, economic conditions, the level of payments and several other factors. No attempt has been made to adjust default rates for changes in relevant factors.

Representative Sund
March 2, 1988
Page 3

I have not discussed the interchangeability of loan term, interest deferment, compound interest and higher interest rates as a means to set a target recovery level. The spreadsheet developed to produce the information contained in Table 1 can be used for these purposes, and I offer the spreadsheet and/or our assistance in investigating these issues.

I have also omitted discussion of (1) the cost, cash flow and other effects of issuing bonds, and (2) the effect that a forgiveness provision and current default rates might have on the ability to fund the student loan program by issuing bonds. I understand that Kerry Romesburg has discussed these issues with you.

TABLE 1
 SUBSIDY CALCULATIONS FOR VARIOUS STUDENT LOAN PROVISIONS
 Applicable to Loans of Two \$2,750 Installments in each of Four Successive Years
 at a Simple Interest Rate of Eight Percent per Year

Effective Interest Rates are based on comparison with
 money loaned at a rate of 8 % compounded monthly, so that
 total principal and interest = \$41,678.85

	2	3	4	5	6	7	8	9	10	
	Program Statistics									
	Individual Loans				Default Rate= 17.3%			Annual cash flow for a \$60 million per year Loan Program (in millions)		
	Amount Recovered by State	Percent Recovered	Percent Subsidy	Effective Interest Rate	Amount Recovered by State*	Percent Recovered	Percent Subsidy	Amount Recovered by State	Net Gain	Net Bond Payments from General Fund**
No Subsidy (no deferment no forgiveness)	\$37,752	50.6%	9.4%	5.78%	\$31,221	74.8%	25.1%	\$85.1	\$25.1	\$36.9
Old Program (5 year deferment with forgiveness)	16,016	39.4%	61.6%	-20.87%	22,075	53.0%	47.0%	60.2	0.2	51.8
Current Program (4 year deferment no forgiveness)	33,792	81.1%	18.9%	3.39%	27,946	67.1%	32.9%	76.2	16.2	45.8
*B 363 (no deferment but forgiveness)	18,876	45.3%	54.7%	-15.32%	26,016	62.4%	37.6%	71.0	11.0	51.0

*These amounts are adjusted for default (17.3%) and for application of the forgiveness provision (1/6 of principal and interest).
 Default is assumed to be nonexistent for all loans forgiven.

**Assumes bonds in the amount of \$60 million are issued at 6% for 20 years.

H B

366

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HSA	2-19-88	3:00 p.m.
H HESS	3-31-88	8:30 a.m.
H HESS	4-20-88	8:30 a.m.

HOUSE COMMITTEE REPORT

(7)

Date referred: 2/22/88

FURTHER REFERRALS:

DATE: 4-20-88

The Health, Education and Social Services Committee has considered HB 366

"An Act relating to subrogation of medical benefits; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

[Signature]

SIGNING OTHER RECOMMENDATIONS:

[Signature] No Rec.

[Signature] - No Rec.

[Signature] - No Rec.

[Signature] none

[Signature]

 Co-Chairman's signature
[Signature]

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: _____
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to subrogation of
medical benefits: efd.
Sponsor: Governor
Requestor: _____

Agency Affected: Health & Social Services
BRU: Medical Assistance
Components: Medicaid Facilities, Medicaid
Non-facilities, General Relief Medical

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

CAPITAL		0	0	0	0	0
---------	--	---	---	---	---	---

REVENUE		0	0	0	0	0
---------	--	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0	0	0	0	0

POSITIONS:

FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Enactment of this legislation should increase the recovery of funds spent on behalf of recipients of Medicaid and General Relief Medical Assistance; however, estimates of such recoveries cannot be made with any validity at this time.

Prepared by: Kim Busch, Director *Kim Busch*
Division: Medical Assistance

Phone: 465-3355
Date: 12/21/87

Approved by Commissioner: *Myra M. Munson* *Myra M. Munson*
Agency: Health and Social Services

Date: 12/28/87

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Involved Agency(ies)

Myra M. Munson
2-17-88

HR 366

"An Act relating to subrogation of medical benefits; and providing for an effective date."

I. Purpose of HB 366

The purpose of HB 366 is to enhance the states right to recover medical assistance payments made on behalf of recipients who file successful law suits, or receive out of court settlements, based on the accident or injury for which medical assistance was paid.

II. Sectional Analysis

Section 1 First, section 1 amends AS 47.05.070(b) by requiring a recipient of medical assistance to notify the Department of Health and Social Services in writing of any action or claim that the recipient has against a third party if the medical assistance was provided because of injury or illness for which the third party might be liable.

Secondly, section 1 amends AS 47.05.070(b) by requiring a medical provider to notify the Department of Health and Social Services in writing when the provider files a lien for unpaid medical assistance against a judgement, award, or settlement that is obtained by or on behalf of a recipient of medical assistance, and provides that the state's rights under AS 47.05.070 have priority over such a lien. This will ensure that the department is aware of such liens and can act in time to protect the state's rights under AS 47.05.070.

III. Summary

Federal Medicaid laws require states to pursue third party resources available to recipients, including recouping expenditures made on behalf of recipients for medical treatment for accidents or injuries caused by a liable third party. If enacted, this legislation would provide the department with additional tools for locating potential legal actions, and would allow the department undisputable first right of recovery in such actions.

IV. Recommendations

The Department strongly recommends passage of HB 366 to clearly establish the states first right to recovery of medical assistance payments.

Recommended By: Kim Busch
Kim Busch, Director
Division of Medical Assistance

Date: 2-17-88

Approved By: Myra M. Munson
Myra M. Munson, Commissioner
Department of Health and
Social Services

Date: 2-17-88

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 15, 1988

CC

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

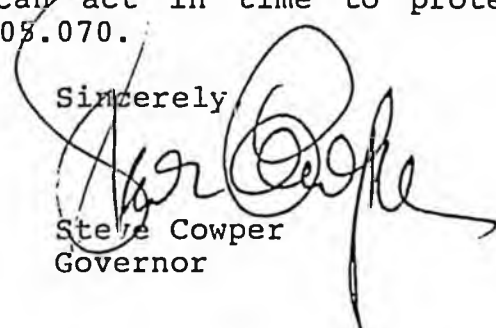
Dear Representative Grussendorf:

Under the authority of art. III, sec. 13, of the Alaska Constitution, I am transmitting a bill relating to the subrogation of medical benefits.

The bill amends AS 47.05.070(b) by requiring a recipient of medical assistance to notify the Department of Health and Social Services (department) in writing of any action or claim that the recipient has against a third party if the medical assistance was provided because of the injury or illness for which the third party might be liable. The notification should enhance the state's ability to recover some medical assistance payments.

The amendments to AS 47.05.070(b) also require a medical provider to notify the department in writing when the provider files a lien for unpaid medical assistance against a judgment, award, or settlement that is obtained by or on behalf of a recipient of medical assistance, and provide that the state's rights under AS 47.05.070 have priority over such a lien. This will ensure that the department is aware of such liens and can act in time to protect the state's rights under AS 47.05.070.

Sincerely,



Steve Cowper
Governor

Good afternoon, Madam Chair, members of the committee. My name is Randy Super, I am the Administrative Officer of the Division of Medical Assistance.

The Governor requested HB 366 to enhance the states right to recover medical assistance payments made by the state on behalf of recipients who later file successful law suits, or receive out of court settlements, based on the accident or injury for which medical assistance was paid.

AS 47.05.070 was passed by the fourteenth legislature, as Chapter 105 SLA 1986. This statute requires: 1) the department not pay medical claims that are payable by a third party; in other words if the individual has insurance coverage, the insurance company pays before the state pays; 2) if the department pays someone's medical bills and the recipient files a claim against a third party, the department is subrogated to the rights of the recipient; 3) attorneys fees for recoveries are allocated in accordance with court rules; and 4) the department may enter into contracts for recoveries from third parties.

Passage of HB 366 would amend the statute to require a recipient of medical assistance to formally notify the Department of Health and Social Services of any action or claims against a third party by or on behalf of the recipient if medical assistance was provided for the injury or illness forming the basis of the action or claim against the third party.

Secondly, passage of HB 366 would amend the statute to require a medical provider to formally notify the Department when a provider files a lien for

unpaid medical assistance against a judgement, award or settlement that is obtained by or on behalf of a medical assistance recipient, and provides that the states right to recovery shall have priority over such a lien.

I would like to explain what prompted these requested amendments to the statute. The Division of Medical Assistance has identified 26 cases which were settled without the state's knowledge or participation resulting in approximately \$360,000 in paid claims which can no longer be pursued. It is very likely that even more such cases exist. This amendment will help the Department to identify these cases in advance and make recoveries for the state.

The second amendment resulted from a case identified by the contractor in which the recipient was hospitalized for a serious spleen injury. His medical costs totaled \$38,000. The state had paid \$23,500; and the remaining \$14,500 represented an unpaid outstanding bill at the hospital for treatment during a period when the recipient was ineligible for Medicaid. The recipients attorney recovered almost \$50,000 in settlement from the third party. \$32,000 represented the remaining balance available after deduction of attorney costs. The hospital had filed a lien for its unpaid bill. There is no clear guidelines in the statute on how to handle settlements of this nature. The state felt that the amount involved did not provide a basis upon which to legally proceed through the courts to interpret the statute. As a result the state lost \$3,684.

The Department has met with representatives of the Health Associations' Executive Board who have expressed their support for passage of this bill.

The Department has presented a zero fiscal note with this bill; because the amount of cost/savings is not quantifiable at this time. Additionally, because these recoveries are usually at least one year after payment of the medical assistance, the recoveries go to the general fund and do not impact the Departments budget.

I would be happy to answer any questions that members of the committee may have.

HOUSE COMMITTEE REPORT

(7)

Date referred: 1/15/88

FURTHER REFERRALS: HESS

DATE: 2-19-88

The State Affairs Committee has considered HB 366

"An Act relating to subrogation of medical benefits; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

[Handwritten signatures]

SIGNING OTHER RECOMMENDATIONS:

[Handwritten signature]

 Chairman's signature

H B

367

1/29

HOUSE COMMITTEE REPORT

(7)

Date referred: 1/15/88

FURTHER REFERRALS:

Judiciary
Finance

DATE: 1/27/88

The HESS Committee has considered HB 367

"An Act altering the composition, membership, and duties of the Alaska Police Standards Council; providing for certification of probation and parole officers and correctional officers by the Alaska Police Standards Council; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 367 (HESS) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Ellis

Carol Haskins

Ruth E. Jeger

Alvin Kasper

Bill Hadd

Rep. [unclear]

SIGNING OTHER RECOMMENDATIONS:

Alvin Kasper
Co-Chairman's signature

Ellis

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act altering the composition
membership of Alaska Police Standards Council
Sponsor: Representative Swackhammer
Requestor: _____

Agency Affected: Department of Corrections
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Susan E. Knighton

Prepared by: Susan E. Knighton, Director
Division: Administrative Services

Phone: 465-3376
Date: 1-26-88

Approved by Commissioner: Susan Humphrey-Barnett C
Agency: Department of Corrections

Date: 1-26-88

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

TABLE OF CONTENTS

MEMORANDUM OF SUPPORT, Rep. C.E. Swackhammer

ALASKA POLICE STANDARDS COUNCIL HISTORY,
Jack Wray, APSC Director

SUPPORT RATIONALE

ALASKA POLICE STANDARDS COUNCIL MINUTES
(Partial of Nov. 13, 1987 Meeting)

SECTIONAL ANALYSIS

FISCAL NOTES

CORRECTIONAL STAFF CERTIFICATION LEGISLATION,
HOUSE BILL 367

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

SOLDOTNA
PO. BOX 417
SOLDOTNA, ALASKA 99669
(907) 262-7663
JUNEAU
BOX V
JUNEAU, ALASKA 99811
(907) 465-2689

MEMORANDUM

TO: All Interested Parties
FROM: Rep. C.E. Swackhammer *Swack*
DATE: December 15, 1987
TOPIC: Certification of Correctional
and Probation/Parole Officers

This packet contains House Bill 367 which places the hiring and training requirements of Probation/Parole and Corrections Officers under the purview of the Alaska Police Standards Council. Also attached, are supporting documents.

The opening of Spring Creek Correctional Center, in Seward, represents the return of Alaska's long term, hard core offenders. Spring Creek is Alaska's first maximum security prison.

It seems logical that the hiring and training requirements for custody staff fall under the auspices of the Police Standards Council. The certification process will instill pride and proficiency and will help to develop long term, professional staff.

Probation/Parole Officers will also realize the advantages of certification. Many of these individuals work daily as investigative and arresting officers. Hiring standards and applicable training will enhance their ability and improve their safety.

For these, and the attached reasons, I respectfully request your support.

CES/cn

History

Police officer standards and training councils or commissions were developed in the 1960's in response to a national recommendation that every state appoint a body that would set mandatory police training, education and selection requirements and/or standards.

At the present time most if not all of the 50 councils or commissions perform the same major functions, they: adopt regulations establishing mandatory minimum standards governing the selection of police officers; establish mandatory minimum training standards; certify police officers; make inquiries and conduct investigations to determine compliance with selection and training regulations and standards.

A recent national survey conducted by the International Association of Directors of Law Enforcement Standards and Training revealed that the commissions and councils collectively expend 150 million dollars per annum in carrying out their duties. They oversee the administration and delivery of over 1,200 recruit basic training courses per annum, oversee the introduction of 300,000 new entrants per year and make possible tens of thousands of in-services and continuing education programs nation-wide.

Background

The Alaska Police Standards Council is a regulatory and quasi-judicial body that was created by Senate Bill 1, Chapter 178, sponsored by Senator Bill Ray and enacted by the 2nd Session of the 7th Alaska State Legislature, effective July 7, 1972.

The Legislature granted the council the power to adopt regulations establishing minimum selection and training standards for employment as police officers, as well as other regulations for the

administration of the act. The council is composed of nine members appointed by the Governor and they meet formally at least twice each year.

Current Status and Organizational Structure

The Council Office is staffed by the Executive Director (0082) and a Secretary I (0084). From their office located in the Public Safety Building in Juneau the Council monitors the employment status of village police officers, municipal police officers and Alaska State Troopers. The Council maintains complete personnel and training records for 1,200 to 1,300 police officers, reviews for compliance all requests from officers for certification, certifies all police training conducted in the state, monitors the personnel files of recruit officers to determine if training and certifications schedules are being followed, provides basic and in-service training, investigates and when appropriate, files civil actions to deny or revoke police officer's certifications. The council also provides limited assistance in locating employment for persons seeking police officer positions and maintains a lending library of training films and publications.

Accomplishments

The council, working closely with the various law enforcement agencies and organizations, has directed the activities of the APSC in such a manner as to ensure that the law enforcement community and the citizens of the State of Alaska receive maximum benefits from this program. Some of the council's accomplishments include:

- A major revision of the original regulations that established minimum selections and training standards for employment as a police officer. The result of the revision was the

establishment of comprehensive guidelines for departments and agencies to use in determining an applicant's eligibility for hire.

- Conducting a statewide job analysis study of the police patrol officer positions. The data collected in this project resulted in the expansion of the basic police training academy curriculum from a six week course to a validated eight week course, led to the establishment of a two week mini-academy for officers that have received their training in other states, and provided physicians conducting pre-employment physical examinations with a relevant description of job activities and working conditions that an officer may encounter.
- The development and funding through state funds and federal grants of specialized and in-service training for police officers in the subject areas of : Instructor Development, Line Supervisor, Management, Interviewing and Interrogation, Rape Investigation, Criminal Investigation, Sexual assault of Minors, Crime Scene Investigations, Search and Seizure, Alaska Criminal Code; Radar Operation, Field Training Officer, Traffic Accident Investigation, Traffic Accident Reconstruction and Traffic Enforcement Management.
- The council in cooperation with the Attorney General's Office has published and distributed the Alaska Field Manual for Police Officers now in it fourth printing.
- Development of a training needs survey document that is used by the council to conduct a yearly survey of all agencies. The results of this annual study establishes training priorities, aids training providers in planning their activities and to a degree measures the effectiveness or impact of the prior year training.

- Development of an audit system to compare the departments or agencies personnel roster with that maintained by the council. This review is conducted once yearly and any discrepancies found are corrected immediately.

- Joining with the Department of Public Safety, State Parks Department and Anchorage Airport Security in supporting the Island Community College, Pre-Employment Law Enforcement Basic Training Program.

- The review and approval of a total of 2,783 basic certificates, 581 Intermediate certificates, 402 advanced certificates, 616 permanent instructor certificates, 221 temporary instructor certificates and approval of over 750 law enforcement training courses.

- Investigation into matters that resulted in the formal denial or revocation of 17 police officer certificates.

Conclusion

The primary goals of the council are to improve the delivery of training, ensure that employment standards are job related and work toward further increasing the professionalism of officers throughout the state.

In Alaska there are currently 1,052 active, full-time police officers and approximately 250 active permanent instructors who must meet the minimum employment and/or training requirements established by the council. Attrition requires continuous effort on the part of the council to assist state and local agencies by ensuring that entry level requirements are adhered to and that the training remains job relevant and available.

SUPPORT RATIONALE

Although certification will have specific benefits to both correctional officers and probation/parole officers, there are also general advantages to the certification process. It lends consistency to hiring, training and discipline.

The aforementioned issues are beneficial to both the employer and the employee. Developing stringent guidelines for qualifications reduces the time needed for the initial selection process. The employer will be able to be selective, based on the criteria and the potential employees will be able to do a self evaluation as to whether or not s/he is eligible for employment.

Once the initial selection is completed, uniform training policies and procedures will aid in assuring each individual receives adequate and appropriate training that specifically relates to the job assigned.

Certification will also give esteem to the employee. This esteem, stemming from meeting stringent criteria, should reflect on work performance and self-confidence. These two attributes are necessary in all lines of work, but is critical in the correctional setting.

Corrections is an element of the criminal justice system, the welfare and safety of the public rests with the correctional officer, as well as those professionals in probation and parole services.

Putting the certification process under the auspices of the Alaska Police Standards Council offers another important facet. Not only will the council be comprised of law enforcement and correction personnel, if this legislation is passed, it already includes scrutiny by council members from the public at large. Public input will impact on the way corrections operates by providing nongovernmental viewpoints.

Above and beyond the standardizing of screening policies and procedures, consistent training policies and general input into the operations of corrections, are the specific values to the officers.

More specifically, correctional officers are dealing with known and convicted offenders. Their demeanor and performance of duties must be accomplished within the "letter of the law;" some will be responsible for armed supervision of offenders. The legal impact of the use of deadly force is monumental. Certification will not only train the officers in correct performance, it will also aid

greatly in the selection process of whom is psychologically fit to be called upon to perform in life threatening circumstances.

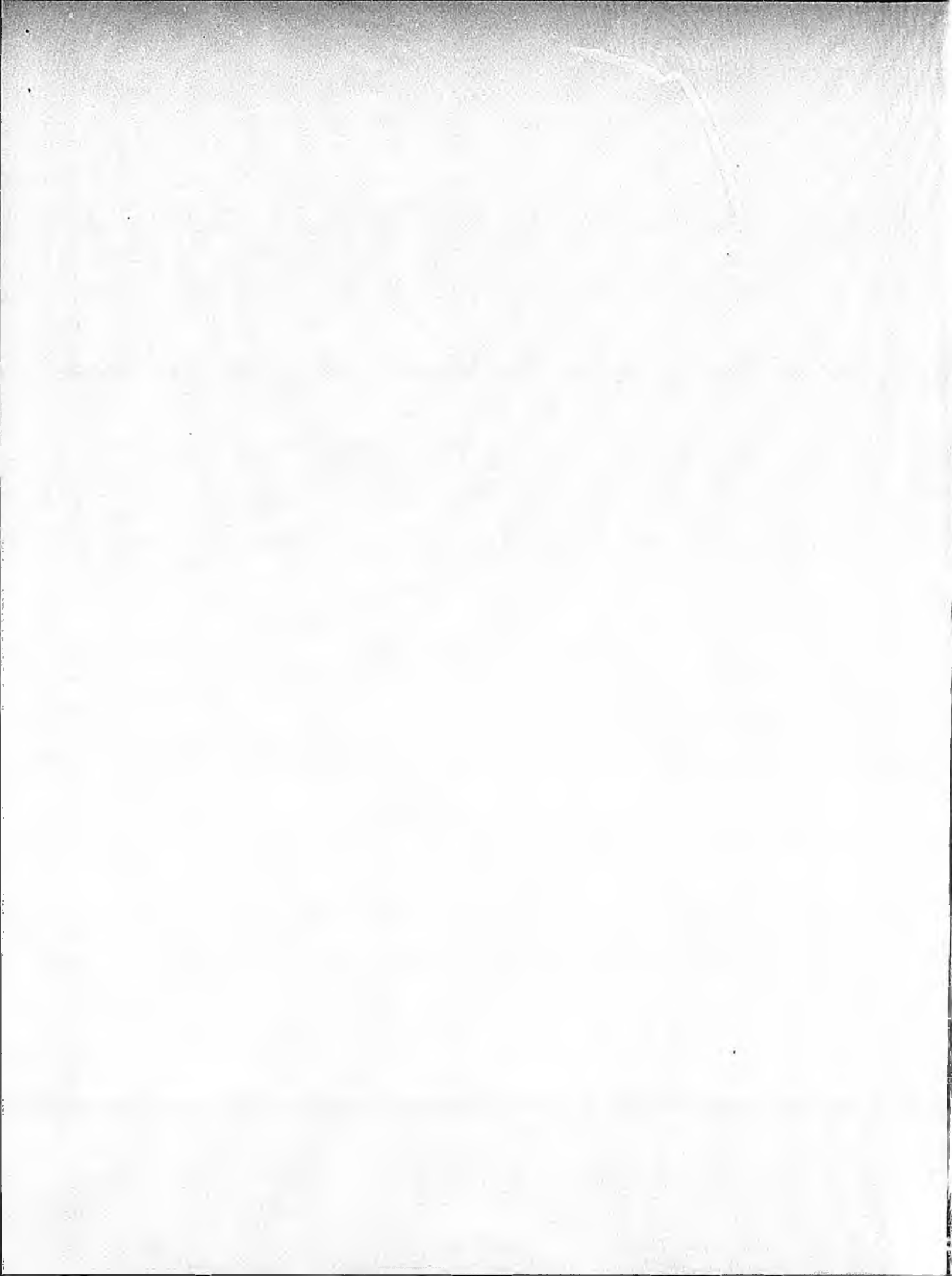
A constitutional mandate of corrections is the reformation of the offender. The criteria of certification will assist the officer in providing appropriate supervision to enhance rehabilitation.

The screening process is important for correctional officers because history has proven that less than favorable personal and work histories of officers can lead to unlawful acts. This can be manifested by illicit relationships between officers and offenders, as well as unlawful acts that jeopardize the safety of society and the institution.

The probation/parole officer, too, has a great deal of responsibilities in performance of his/her duties. Besides offering supervision of offenders in the community, these officers, oftentimes, must act as arresting officers actually making physical arrests.

Training in supervision and arrest of offenders is critical to assure proper procedures are followed to aid in compliance with legal mandates. Likewise, training will also help greatly in protecting the officers in life threatening situations.

Besides critical situations, certification will simply lend itself toward promoting professionalism. Stringent hiring criteria, exhaustive training and physical/mental mandates provide the common bonding necessary to assure professional delivery of services. This is essential for complying with the constitutional mandate of protecting society and the reformation of the offender.



ALASKA POLICE STANDARDS COUNCIL

48th Meeting: November 13, 1987
Alaska Vocational Technical Center
Seward, Alaska 99664

MINUTES

November 13, 1987

A.P.S.C. Members Present

Louis A. Bencardino, Chairman
Seward Police Dept.

E.L. Mayfield, Council Member
Willow, Alaska

Shirley Robards, Council Member
Sitka, Alaska

Ronald L. Otte, Chief of Police
Anchorage Police Dept.
Council Member

Kevin C. Clayton, Chief of Police
Bethel Police Department
Council Member

John L. McKibben, Chief of Police
Palmer Police Department
Council Member

Floyd H. Richmond, Council Member
Ketchikan, Alaska

A.P.S.C. Staff Present

Jack W. Wray
Executive Director

Vicky L. Hessee
Secretary I

Visitors Present

Billy Andrews
Special Agent
FBI/Anchorage

Stephanie Joannides
Assistant Attorney
General

Chief Duane S. Udland
Soldotna Police Dept.

Chief Richard A. Ross
Kenai Police Dept.

C.E. Swackhammer
Representative
Soldotna, Alaska

Lt. Lonnie Kalar
Kenai Police Dept.

Charles Kopp
Anchorage, Alaska

Lt. Shirley Warner
Anchorage Police Dept.

The meeting adjourned for a break at 10:59 a.m.

The meeting reconvened at 11:16 a.m.

APSC STATUTE CHANGE - Chairman Bencardino introduced Representative Swackhammer. Representative Swackhammer informed the Council that he Chairs the Subcommittee on Corrections and his comments he will be addressing is more in terms of policy and procedures.

Listed below are some of deficiencies the Committee has found in Corrections.

1. Poor screening policy & procedures.
2. Lack of consistent training policies.
3. Retention policy based on disciplinary action was not consistent over a period of time.
4. Total lack of public input into the way Corrections is run, its strictly administration.

Representative Swackhammer stated he felt a certification process for corrections and probation/parole officers would be appropriate. He stated he also felt it would be an appropriate function of the APSC.

Representative Swackhammer felt that through a certification process it would establish good screening procedures in the hiring of corrections officers, and provide consistent training standards for Corrections.

Representative Swackhammer stated that he would not introduce legislation unless he had the support of APSC. If he had the Council's support he felt he could get legislation passed through the second session.

Discussion followed regarding corrections officers, and the probation/parole officers being certified.

John McKibben stated that he felt irregardless whether this Council's oversees it, he thinks it is definitely needed. He personally supports this Council doing it, but he would support any Council doing it.

Chairman Bencardino asked if there were any objections in this Board taking on this obligation of being able to certify corrections officers as well as police officers.

John McKibben made a motion that we support the assumption of those responsibilities by this board and support legislation that will enable us to do so. Floyd Richmond seconded.

Chairman Bencardino asked if there was any further comments on this motion.

John McKibben was interested if there was any audience comments regarding APSC certifying Correctional Officers.

Chief Ross stated his concern was that APSC resources have been inadequate in the last several years. He also felt if this legislation is proposed there would be a need for a realistic fiscal note with it to provide for the resources not only to put the regulations together, but implement training, and if that fiscal note did not go through, then he would not want to see it under this board.

Chairman Bencardino called for a vote on the motion, all were in favor, the motion passed unanimously.

Representative Swackhammer suggested the Council meet in Juneau in January to hold a special meeting.

Representative Swackhammer informed the Council that both the Commissioner of Corrections and Public Safety support this concept.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 15, 1988

SUBJECT: Sectional analysis of HB 367
TO: Representative C.E. Swackhammer
FROM: Jack Chenoweth
Legislative Counsel

The following is a sectional analysis of HB 367.

Section 1 restates the current statement of policy applicable to the Alaska Police Standards Council by incorporating reference in it to "probation and parole officers and correctional officers," the two personnel groups that are subject to certification under the amendments proposed by this legislation. (AS 18.65.130)

Section 2 changes the membership of the Alaska Police Standards Council, adding two to the current nine members, and specifying that the new members shall be the commissioner of corrections (or the commissioner's designee) and a probation or parole officer. (AS 18.65.150)

Section 3 specifies that the commissioner of corrections serves a member of the Council for the duration of his or her term, and that a designee of the commissioner is to serve for the duration of the service of the commissioner who made the designation. (AS 18.65.160)

As to probation and parole officers and correctional officers, section 4 adds to the powers of the Council:

- * the responsibility to establish minimum standards for their employment in permanent and probationary positions;
- * certification of individuals as qualified for employment in these positions;
- * the responsibility to establish minimal criteria for requirements for basic training courses for these positions;
- * authority to consult with local governments and others designated concerning development of training programs for these positions; and,

* authority to investigate an applicant for one of these positions in order to assure that the applicant meets the minimum qualifications for the position. (AS 18.65.220)

The change in the caption to AS 18.65.230 made by section 5 reflects the additional responsibility given the Council for establishing and maintaining training programs for probation and parole officers and correctional officers in this section. (AS 18.65.230)

Section 6 adds new codified sections that

* direct the Council to establish qualifications for employment of persons as correctional officers; prescribe the means of providing evidence that an applicant meets the prescribed qualifications; and provides for issuance of a certificate evidencing that the applicant meets the prescribed standards; (AS 18.65.241)

* direct the Council to establish qualifications for employment of persons as probation and parole officers; prescribe the means of providing evidence that an applicant meets the prescribed qualifications; and provides for issuance of a certificate evidencing that the applicant meets the prescribed standards; (AS 18.65.243)

* spell out the circumstances when the Council may deny a correctional officer certificate or a probation or parole officer certificate to an applicant or revoke a correctional officer certificate or a probation or parole officer certificate previously issued to an applicant; (AS 18.65.245)

* limits the employment of persons as correctional officers to persons who hold valid correctional officer certificates, with exception made for those employed on a probationary basis, for a period as determined by the Council; (AS 18.65.247)

* limits the employment of persons as probation and parole officers to persons who hold valid probation and parole officer certificates, with exception made for those employed on a probationary basis, for a period as determined by the Council. (AS 18.65.249)

The new material added by bill section 7 authorizes, but does not require, a municipality to require that persons employed in a municipal corrections facility meet the requirements of this chapter that are applicable to correctional officers. (AS 18.65.280)

I have provided definitions for the three classes of employee covered by this bill in section 8. (AS 18.65.290)

The remainder of the bill are uncodified sections that cover effective dates and transitional provisions.

Section 9: Subsection (a) makes an exception to those employed as correctional officers on the effective date of the Act; those persons may continue to be employed and are not required to secure a certificate from the Council. However, under subsection (b), if a person who has the benefit of the exception under (a) ceases to be employed after the effective date of the Act, that person may only be employed again as a correctional officer if he or she first secures a certificate from the Council.

Section 10: Subsection (a) makes an exception to those employed as probation and parole officers on the effective date of the Act; those persons may continue to be employed and are not required to secure a certificate from the Council. However, under subsection (b), if a person who has the benefit of the exception under (a) ceases to be employed after the effective date of the Act, the person may only be employed again as a probation or parole officer if he or she first secures a certificate from the Council.

In the main, section 13 would make the bill take effect July 1, 1988. There are exceptions: section 11 delays the effective date of AS 18.65.247, the provision requiring that a correctional officer obtain a valid certificate as a condition of employment, to a date six months after the Council adopts pertinent regulations; section 12 likewise delays the effective date of AS 18.65.249, the provision requiring that a probation or parole officer obtain a valid certificate of employment, to a date six months after the Council adopts pertinent regulations. The intent underlying both sections is to impose these additional employment-related requirements only after the Council has had fair opportunity to develop and adopt standards and initiate related training opportunities for persons seeking certification under AS 18.65.130 - 18.65.290.

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: An Act Altering the Composition,
Membership and Duties of the APSC
Sponsor: Representative Swackhammer
Requestor: _____

Agency Affected: Public Safety
BRU: Alaska Police Standards
Council
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		30.1	30.9	31.7	32.6	33.5
TRAVEL		7.1	7.1	7.1	7.1	7.1
CONTRACTUAL		4.4	4.4	4.4	4.4	4.4
SUPPLIES		.5	.5	.5	.5	.5
EQUIPMENT		5.6				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	47.7	42.9	43.7	44.6	45.5

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	47.7	42.9	43.7	44.6	45.5
FEDERAL FUNDS						
OTHER						
TOTAL		47.7	42.9	43.7	44.6	45.5

POSITIONS:

FULL-TIME	0	1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

No inflation factors are included in these cost calculations.

Program implementation is scheduled to begin July 1, 1988. Initial costs will include funding for a Clerk IV position (Range 9A) with salary and

Prepared by: Jack W. Wray, Executive Director Phone: 465-4378
Division: Alaska Police Standards Council Date: 12-28-87

Approved by Commissioner: _____ Date: _____
Agency: Public Safety

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

ANALYSIS CONTINUED:

benefits calculated at 30.1 for the first year, and the purchase of data processing and office equipment at a one time cost of 5.6. Space is currently available in the Alaska Police Standards office, utilities communication, and commodities are estimated for the classified position. Travel cost increases are a result of the addition of two new council positions, plus the increase in staff travel to conduct compliance inspections and attend administrative hearings.

Position Title Clerk IV		No. of Positions 1	Range/Step 9A	Barry Unit GCU
Time Status PFT	Staff Months 12.0	Location Juneau		Election District 4
Type of Expenditure		Amount		
1	2	3		
Salary	20.8			
Benefits	9.3			
Premium Pay				
Other				
Total Personal Services		30.1		
Travel				
Contractual		3.4		
Commodities		.5		
Equipment		3.3		
Other				
Total Cost		37.3		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	37.3		
GF Program Receipts	1005			
Other				
Justification				
<p>This position will provide clerical support needed through the typing and filing of correspondence, maintenance of personnel and training files, and responding to requests for library and training materials.</p> <p>Support costs include minimal contractual and supply costs and one time purchase of data processing equipment.</p>				

**Request For
New Position**

Agency Public Safety
 BRU Alaska Police Standards Council
 Component _____

Page 3 of 3
 Revised Date _____

FY 89



WORK DRAFT

WORK DRAFT

WORK DRAFT

5-1438B
Chenoweth
1/26/88

Original sponsors: Swackhammer, Gruenberg,
Rieger, et al.

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 367 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act altering the composition, membership, and
7 duties of the Alaska Police Standards Council; pro-
8 viding for certification of probation and parole
9 officers and correctional officers by the Alaska
10 Police Standards Council; and providing for an effec-
11 tive date."

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

13 * Section 1. AS 18.65.130 is amended to read:

14 Sec. 18.65.130. POLICY. The administration of criminal justice
15 affects the health, safety and welfare of the people of this state,
16 and requires education and training of a professional quality. It is
17 a primary public interest that applicants meet minimum standards for
18 employment as police officers, probation and parole officers, and
19 correctional officers, and that criminal justice education and train-
20 ing be made available to police officers, probation and parole offi-
21 cers, and correctional officers serving in a probationary capacity and
22 police officers, probation and parole officers, and correctional
23 officers already in regular service. It is of secondary public inter-
24 est to encourage the establishment of preliminary training programs
25 for persons seeking to become police officers, probation and parole
26 officers, and correctional officers.

27 * Sec. 2. AS 18.65.150 is amended to read:

28 Sec. 18.65.150. COMPOSITION OF COUNCIL. The council consists of
29 the following persons:

1 (1) four chief administrative officers or chiefs of police
2 of local governments;

3 (2) the commissioner of public safety or a designee of the
4 commissioner;

5 (3) the commissioner of corrections or a designee of the
6 commissioner;

7 (4) one probation or parole officer who is a member of the
8 Alaska Probation and Parole Association;

9 (5) [(3)] four members of the public at large with at least
10 two from the communities of 2,500 population or less.

11 * Sec. 3. AS 18.65.160 is amended to read:

12 Sec. 18.65.160. APPOINTMENT. The commissioner of public safety
13 or a designee and the commissioner of corrections or a designee shall
14 serve during each [THE] commissioner's continuance in office. Other
15 members of the council shall be appointed by the governor for stag-
16 gered terms of four years, except that a member may not serve beyond
17 the time the member holds the office that established eligibility for
18 appointment. A vacancy on the council shall be filled for the remain-
19 der of a member's unexpired term in the same manner as the original
20 appointment.

21 * Sec. 4. AS 18.65.220 is amended to read:

22 Sec. 18.65.220. POWERS. The council has the power to

23 (1) adopt regulations for the administration of AS 18.65.-
24 130 - 18.65.290;

25 (2) establish minimum standards for employment as a police
26 officer, probation or parole officer, and correctional officer in a
27 permanent or probationary position [POSITIONS] and certify persons to
28 be qualified as police officers, probation or parole officers, and
29 correctional officers under AS 18.65.130 - 18.65.290.

1 (3) establish minimum criminal justice curriculum require-
2 ments for basic, specialized, and in-service courses and programs for
3 schools operated by or for the state or a political subdivision of the
4 state for the specific purpose of training police recruits, [OR]
5 police officers, probation and parole officers, and correctional
6 officers;

7 (4) consult and cooperate with [BOROUGHES,] municipalities,
8 agencies of the state, other governmental agencies, universities,
9 colleges, and other institutions concerning the development of police,
10 probation and parole officer, and correctional officer training
11 schools and programs of criminal justice instruction;

12 (5) employ an administrator and other persons necessary to
13 carry out its duties under AS 18.65.130 - 18.65.290;

14 (6) investigate when there is reason to believe that a
15 police officer, probation or parole officer, or correctional officer
16 does not meet the minimum standards for employment; in connection
17 with the investigation the council may subpoena persons, books, re-
18 cords, or documents related to the investigation and require answers
19 in writing under oath to questions asked by the council or the admin-
20 istrator.

21 * Sec. 5. AS 18.65.230 is amended to read:

22 Sec. 18.65.230. [POLICE] TRAINING PROGRAMS. The council shall
23 establish and maintain police training programs, probation and parole
24 officer training programs, and correctional officer training programs
25 through those agencies and institutions that the council considers
26 appropriate.

27 * Sec. 6. AS 18.65 is amended by adding new sections to read:

28 Sec. 18.65.242. STANDARDS FOR CORRECTIONAL, PROBATION, AND
29 PAROLE OFFICERS. (a) The council shall establish qualifications for

1 employment of persons as correctional, probation, and parole officers,
2 including

3 (1) minimum age, physical, citizenship, moral character,
4 and experience standards; and

5 (2) minimum education standards.

6 (b) The council shall

7 (1) prescribe the means of presenting evidence of fulfill-
8 ment of the requirements set out in (a) of this section; and

9 (2) issue a certificate evidencing satisfaction of the
10 requirements of (a) of this section to an applicant who

11 (A) satisfies the requirements of (a)(1) of this
12 section; and

13 (B) meets the minimum education standards of (a)(2) of
14 this section by satisfactorily completing a training program for
15 correctional, probation, or parole officers established under
16 AS 18.65.230 or a course of instruction in another jurisdiction
17 equivalent in content and quality to that required by the council
18 for approved correctional, probation, or parole officer education
19 and training programs in this state.

20 Sec. 18.65.245. DENIAL OR REVOCATION OF CERTIFICATE. The coun-
21 cil may

22 (1) deny a certificate to an applicant for a correctional
23 officer certificate or a probation or parole officer certificate if
24 the applicant does not meet the standards adopted by the council under
25 AS 18.65.242(a);

26 (2) revoke the certificate of a correctional officer or a
27 probation or parole officer who, having been issued a certificate,
28 fails to meet the standards adopted by the council under AS 18.-
29 65.242(a).

1 Sec. 18.65.248. EMPLOYMENT OF CORRECTIONAL, PROBATION, AND
2 PAROLE OFFICERS. (a) A person may not be appointed as a correctional
3 officer or as a probation or parole officer unless the person has a
4 valid certificate issued by the council under AS 18.65.242.

5 (b) The provisions of (a) of this section do not apply to a
6 person employed on a probationary basis, except that employment on a
7 probationary basis may not exceed the period authorized for probation-
8 ary employment determined by the council.

9 * Sec. 7. AS 18.65.280 is amended by adding a new subsection to read:

10 (c) A municipality that employs persons in a municipal correc-
11 tional facility may, by ordinance, require that those persons meet the
12 requirements of AS 18.65.130 - 18.65.290 that are applicable to cor-
13rectional officers.

14 * Sec. 8. AS 18.65.290 is amended by adding new paragraphs to read:

15 (4) "correctional officer" means a person employed by the
16 state in a correctional facility established for the custody, care,
17 and discipline of persons charged or convicted of offenses against the
18 state or held under authority of state law to control those persons;

19 (5) "parole officer" means a person appointed by the com-
20 missioner of corrections to supervise a prisoner's parole under
21 AS 33.16;

22 (6) "probation officer" means a person appointed to super-
23 vise probation who has the duties assigned by AS 33.05.040.

24 * Sec. 9. APPLICATION TO PERSONS WHO ARE CURRENTLY EMPLOYED AS CORREC-
25 TIONAL OFFICERS. (a) Notwithstanding AS 18.65.248, added by sec. 6 of
26 this Act, a person employed by the state as a correctional, probation, or
27 parole officer on the effective date of AS 18.65.248, may continue to be
28 employed as an officer without a certificate issued by the Alaska Police
29 Standards Council.

1 (b) A person continuing in employment under the exemption provided in
2 (a) of this section who terminates that employment after the effective date
3 of AS 18.65.248 may be reemployed by the state as a correctional, pro-
4 bation, or parole officer only if the person holds a valid certificate
5 issued by the Alaska Police Standards Council.

6 * Sec. 10. AS 18.65.248, added by sec. 6 of this Act, takes effect six
7 months after the date on which the Alaska Police Standards Council adopts
8 regulations establishing training programs for correctional, probation, and
9 parole officers under AS 18.65.230, as amended by sec. 5 of this Act, and
10 defining qualifications for employment as those officers under
11 AS 18.65.242, added by sec. 6 of this Act.

12 * Sec. 11. Except for AS 18.65.248, added by sec. 6 of this Act, this
13 Act takes effect July 1, 1988.
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STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H HESS	4-20-88	8:30 a.m.
H HESS	4-21-88	8:30 a.m.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

STEVE COWPER, GOVERNOR

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600

June 16, 1987

Honorable Steve Cowper
Governor
State of Alaska
P.O. Box A
Juneau, AK 99811

Re: CSHB 205(HESS) am -- occupational
therapists and naturopaths
Our file: 883-87-0080

Dear Governor Cowper:

At Bob Evans' request on your behalf, we have reviewed this bill, which establishes two new licensed occupations in AS 08.54, "occupational therapists" and "occupational therapy assistants," and requires insurance companies to pay for the services of not only the newly licensed occupational therapists but also physical therapists, who have been licensed under AS 08.54 since 1957, and naturopaths, who have been licensed under AS 08.45 only since 1986.

Primarily because of the serious overbreadth of one of the central provisions of the bill, the definition of "occupational therapy" itself, we must urge to you to veto this bill. We believe that the extremely broad definition makes the new licensing systems created by this bill not only inappropriate but also practically unenforceable. If the bill becomes law it would be likely to create new costs for school districts, the Department of Education, the Department of Health and Social Services, and indirectly, for this department. It would also create the possibility of higher disability and workers' compensation insurance premiums.

This bill is an example of much that is wrong with the worst of our occupational licensing statutes. It was for the most part drafted by, and was introduced at the request of, the private association of the only people who stand to benefit for certain from its enactment -- the occupational therapists themselves. There was no outcry from consumers for protection against incompetent or unscrupulous practitioners. The bill is simply a self-serving solution without a problem.

Most of the bill (13 of its 17 pages and 25 of its 31

sections subject to codification) makes additions or changes to AS 08.84 that are mostly parallel to existing provisions on licensure of physical therapists. The best we can say about this part of the bill is that it does not create a new licensing board, even though it creates two new licensed occupations. Rather, it simply adds to the duties, membership, and name of the existing Physical Therapy Board.

The biggest problem with the occupational licensing part of the bill involves secs. 20 and 24 of the bill. Section 20 would add new AS 08.84.150(b), which prohibits a person from practicing occupational therapy without being licensed unless the person is a supervised student or foreign graduate, a federal employee, or the holder of a 120-day limited permit under new AS 08.84.075 that would be added by sec. 13 of this bill. Violations of this prohibition could result in issuance of a citation under new AS 08.01.102 -- 08.01.104, added this year by sec. 11 of CSHB 222(Fin) am S (our file no. 883-87-0082).

The root of the problem created by this new prohibition is that the definition of "occupational therapy" in new AS 08.-84.190(6) that would be added by sec. 24 of this bill is so extremely broad that it includes almost anything that anyone does for someone else who, for whatever reason, needs help to cope with daily life. This definition, which is almost a full page in the bill, is so sweeping that we set out just the first part of it for emphasis:

(6) "occupational therapy" means the use of purposeful activity, evaluation, treatment, and consultation with human beings whose ability to cope with the tasks of daily living are [sic] threatened with, or impaired by developmental deficits, learning disabilities, aging, poverty, cultural differences, physical injury or illness, or psychological and social disabilities to maximize independence, prevent disability, and maintain health; "occupational therapy" includes

(A) developing daily living, play, leisure, social, and developmental skills;

* * * *

(F)

The further examples listed in (B) -- (F), unfortunately, do little to help narrow the scope of the practice of occupational

therapy. Curiously, the definition does not seem to specifically include anything directly related to helping people learn an occupation or how to earn their own living.

The result of the blanket prohibition against practicing occupational therapy without a license combined with the extremely overbroad definition of occupational therapy itself is that a license would be required under this bill for much of what teachers, teacher-aides, licensed health care practitioners, and even parents, various public employees, and volunteers do for people, old or young, who, for whatever reason, need help "to cope with the tasks of daily living." Because they are not included in the list of exemptions in new AS 08.54.150(b)(1) -- (4) added by sec. 20 of the bill, these people will be subject to citation for continuing their productive activities.

This obviously unacceptable result was apparently incorrectly explained away by proponents of the bill during House committee hearings by the allegation that this bill was only a "title bill" not a "practice bill." An occupational licensing "title bill" prohibits unlicensed people only from using the title of a licensee, but a "practice bill" also prohibits unlicensed people from doing anything included in the definition of the licensed occupation. This bill has a title use prohibition in sec. 18, adding new AS 08.84.130(c) and (d), but it unfortunately also has the above-mentioned unlicensed practice prohibition in sec. 20, adding new AS 08.84.150(b). We have discussed this problem with the Washington, D.C. attorney for the American Occupational Therapy Association and he agrees with our interpretation of the bill, but expresses vague confidence that "any problems can be worked out" after the bill becomes law.

However, this severe overbreadth problem should, in our view, be fatal to this bill. The problem could have been avoided in any of several ways, but it was not. Section 20 could have been omitted, leaving the bill a true title bill as we understand its proponents claimed. The definition of occupational therapy could have been narrower and more precise, or the short list of exemptions from the license requirement could have been expanded to include volunteers and school and other public employees. Because not one of these steps was taken, we believe that your veto is advisable.

There are several reasons why this bill passed the legislature despite all of its defects. These reasons have little to do with the substance of the bill, but you should be aware of them as you consider whether to veto it. The bill was not introduced until the end of March, and it was referred to three

Hon. Steve Cowper, Governor
Our file: 883-87-0080

June 16, 1987
Page 4

House committees, so it seemed likely that the most that could happen was that the bill could be pushed through the House by its sponsor, House Rules Committee Chairman Navarre. This estimation seemed to be reinforced, albeit in retrospect mistakenly, when the bill did not reach the House floor until the last week of the session, and then was further burdened by a floor amendment offered by Representative Walt Furnace. The floor amendment added sec. 28 of the bill which prohibits insurance companies from discriminating against (i.e., refusing to cover services provided by) occupational therapists and physical therapists and naturopaths. Although we have not had time to fully evaluate the likely effect of this floor amendment, we believe it could cause an increase in insurance premiums and a decrease in availability of insurance, especially in the areas of disability and workers' compensation coverage. It appears that this amendment may have resulted in added support for the bill, especially from naturopaths, to help it through the Senate so quickly.

The substance of the House floor amendment has never had the benefit of any public hearing, just as the entire bill has never had the benefit of a Senate committee hearing. The bill, as amended on the House floor made it through four Senate committee referrals in six days without a public hearing and ended up being passed by the Senate late in the evening of Tuesday, May 19 -- the last day of the session. Two of the committee referrals were ultimately waived by the committee chairs.

This leaves those who have problems with this bill in the somewhat embarrassing position of having now to express the concerns being saved for Senate committee hearings next year. It also leaves some serious question whether the Senate committees that so quickly considered this bill complied with the reasonable notice requirement of AS 44.62.310(e). Of course, the applicability of that provision, along with our entire "Open Meeting Act," to the legislature and its committees currently is at issue in Adams v. League of Women Voters, Alaska Supreme Court No. S-1831 (1986).

No one is currently being injured or victimized under the status quo without the new licensing systems for occupational therapists and their assistants that this bill would create. So, there is really no one to be protected by the bill. It would do nothing whatsoever to improve the quality of service provided by our currently unlicensed occupational therapists because, under sec. 33 of the bill, they would all be automatically licensed without examination regardless of education or experience, if they belong to the American Occupational Therapist Association.

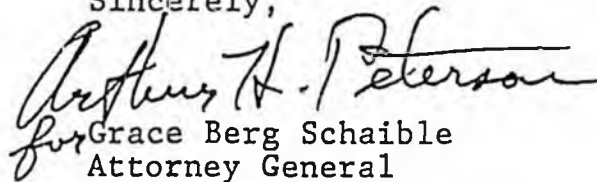
Hon. Steve Cowper, Governor
Our file: 883-87-0080

June 16, 1987
Page 5

A veto would deprive the Department of Commerce and Economic Development of the estimated \$13,000 in license fees that would be generated by the new licensing system, but it would more importantly avoid the burden of implementing an unenforceable system on that agency, on the Departments of Education, Health and Social Services, and Law, and on our school systems. Most of the bill would not take effect until January 1, 1988 so little real time would be lost if it were somehow determined during the interim and next session that there really is a problem with occupational therapy in Alaska that our state government should address by imposing more new licensing systems. If such a determination is made, any new licensing system should maximize public, not occupational, protection and minimize disruption to schools, governmental and private service delivery programs, and insurance rates.

A draft veto letter is attached for your convenience.

Sincerely,


for Grace Berg Schaible
Attorney General

GBS:PBF:md



AKOTA Alaska Occupational Therapy Association

3605 Arctic Blvd. #1616, Anchorage, Alaska 99503
(907) 345-0034

March 24, 1988

Labor & Commerce Committee
Dave Donley, Chair
House of Representatives
Room 17, Capitol
Juneau, Alaska 99811

Members of the Labor & Commerce Committee:

The Alaska Occupational Therapy Association will favor passage of CS HB 368 only if there is an amendment to page 2 lines 9 and 10. The amendment would be practice occupational therapy (provide independent or unsupervised occupational therapy services.)

It is essential that the statute be clear and that the public not be misled about services which are called occupational therapy.

The Association believes that if CS HB 368 is amended as indicated, the two areas of concern about the occupational therapy licensing act will be covered. It will clarify that schools can continue to utilize programs written by licensed occupational therapists and carried out by teachers and aides; it will clarify the use of activities within the definition of occupational therapy when carried out by other professionals as within the law; and it will continue to protect the Alaskan public by identifying those qualified to practice occupational therapy.

Thank you for your concern and interest in providing Alaskans with services by qualified occupational therapists.

A handwritten signature in cursive script that reads "Mary Melissa Robinson".

Mary Melissa Robinson, OTR/L
President, Ak.O.T.A.

POSITION PAPER
HOUSE BILL NO. 368

"An Act exempting certain persons from the requirement to be licensed as an occupational therapist or occupational therapy assistant; and providing for an effective date."

EFFECT OF BILL

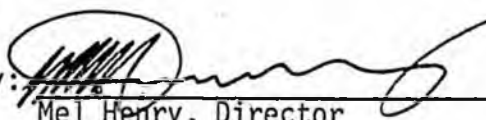
This bill would exempt government employees and educational institution employees who provide occupational therapy services from the licensing requirement in Chapter 2, FSSLA 1987.

DISCUSSION

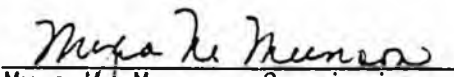
Such an exemption is necessary because many activities falling under the overly broad definition of "occupational therapy" in Chapter 2 are performed by personnel who have no formal occupational therapy training. If licensed personnel were required for these activities, many of the services would not be performed. Occupational therapists with formal training are in short supply. The most efficient way to provide the services is to use other personnel for provision of the less complex activities falling under the definition of "occupational therapy" in Chapter 2, FSSLA 1987. Without the exemption contained in this bill, that would not be possible.

RECOMMENDATION

The Department of Health and Social Services supports the passage of HB 368.

Recommended by: 
Mel Henry, Director

Date: 20th January, 1988

Approved by: 
Myra W. Munson, Commissioner

Date: Feb 9, 1988

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act exempting certain persons
. . . occupational therapist . . ."
Sponsor: Rules
Requestor: Governor

Agency Affected: Health & Social Services
BRU: Institutions and Administration

Components: API, Harborview

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS : (Attach a separate page if necessary)

The enactment of HB 368 would have no direct fiscal impact on the Department of Health and Social Services.

Prepared by: Mel Henry, Director
Division: Mental Health & Developmental Disabilities

Phone: 465-3370
Date: 1/21/88

Approved by Commissioner: Myra M. Munson
Agency: Health & Social Services

Date: 2-9-88

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

6

**PHYSICAL
THERAPY
CENTER**

Beth Hansen, LPT

Denice A.B. McPherson, LPT

789-4880

February 19, 1988

RECEIVED
FEB 22 1988

Rep. Dave Donley, Chairman
House Commerce Committee
P. O. Box 7
Juneau, Alaska 99801

Dear Representative Donley,

I would like to express my concern regarding HB 368. This bill proposes that occupational therapy done in the school system be done by a non-licensed person. The requirements of licensing are not at all exclusive; so there is no rational reason why any Occupational Therapist would avoid the process. Therefore, the intent of this legislation is to allow untrained persons to perform therapy skills. There is only one reason to explain this move: saving money by having therapy performed by nonqualified persons.

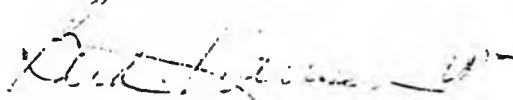
The duties required of the Physical Therapists and Occupational Therapists in the school system often involve severely handicapped children. The skills used in this type of treatment are now being recognized as a sub-speciality in both professions.

I am an orthopedically oriented Physical Therapist and have practiced therapy in the hospital and clinical setting for 12 years. To convert to the practice of neurologically involved pediatrics would involve at least a year of education to upgrade my skills in that area.

I would hate to think of these special children being given less than adequate treatment by an unskilled person. I am concerned for the parents who will think that their children are being treated by a professional.

I also recommend that the legislature be sure that this would not be a violation of the Federal government requirement in public law 94-142.

Sincerely,


Beth Hansen, LPT

BH:FW



6

AKOTA Alaska Occupational Therapy Association

3605 Arctic Blvd. #1616, Anchorage, Alaska 99503
(907) 345-0034

February 2, 1988

Representative Dave Donley, Chairman
Labor and Commerce Committee
House of Representatives
P.O. Box V
Juneau, Ak 99801

RECEIVED
FEB 9 1988

Dear Representative Donley:

The Alaska Occupational Therapy Association is strongly opposed to passage of HB 368. This bill would allow schools and governmental units, to employ persons to perform occupational therapy services without meeting qualifications for the practice of occupational therapy as defined in Alaska statutes.

Passage of this bill would allow consumers to receive treatment which is substandard and harmful. Consumers, including handicapped students, psychiatric patients, and developmentally disabled persons, in Alaska do not deserve less than qualified service providers.

To allow untrained, unqualified persons to say they are delivering occupational therapy services is certainly not in the best interest of the State of Alaska.

Please, consider the effect the passage of this bill would have on the health care consumers in Alaska.

The Alaska Occupational Therapy Association is eager to assist the Labor and Commerce Committee, the Department of Education or the Office of the Governor in understanding the potential effect of this bill. We are also willing to assist with any potential difficulties in the practice of occupational therapy. House Bill 368 must not be supported because it would allow unqualified persons to deliver occupational therapy services.

Sincerely,

Mary Melissa Robinson, OTR
President, Ak.O.T.A.

February 9, 1988

RECEIVED
FEB 16 1988

Labor & Commerce Committee Members
PO Box V
Juneau, AK 99811

Dear Labor & Commerce Committee Members: *Carol J. Laurion*

I am writing to you for my concerns of HB 368 introduced by Governor Cowper to exempt government units and educational institutions from occupational therapy licensure. Passage of this bill would mean occupational therapists and certified occupational therapy assistants working for school districts and state agencies would not have to be qualified or meet the qualifications for licensure.

I work at Alaska Psychiatric Institute with many chronic and acutely ill schizophrenic patients. These patients don't usually have the abilities to distinguish whether a therapist is qualified or not. Even if they did several are committed and they don't usually have a choice of leaving API to seek a more qualified therapist.

Before API, I worked at Hope Cottages with the same children who receive occupational therapy in the schools. I was often called upon to consult and teach caregivers on how to feed a profoundly retarded, multiply handicapped child who couldn't swallow properly and choked on each bite of food that was given him. I ask you - can this child distinguish between a qualified and unqualified occupational therapist? Can he choose who will give advice on how he's to be fed? Passage of HB 368 would allow consumers of governmental and educational units to receive substandard service. Is this the pride we take in our State services?

The Department of Education has voiced many concerns that the occupational therapy licensure law prohibits any person who may be involved in any aspect of the occupational therapy definition from performing their work. The Alaska Occupational Therapy Association believes the purpose of the law is not to limit qualified professionals from practicing what they are qualified to practice as long as it is not represented as occupational therapy. Any clarification of this law could have been appropriately handled with regulations. There are several alternatives that could have handled the Department of Education's concerns. Yet, Governor Cowper chose to introduce HB 368 and attach governmental units to the Educational Department's concerns for no apparent reason. I ask you who must know him better than I... I ask you - Why? Why would he choose to introduce a bill that would be so detrimental to the needy people of this State? Why?

The Alaska Occupational Therapy Association has chosen to take a stance of proposing alternative language to HB 368 that will allow teachers and teacher aides to develop daily living, play, leisure, social, and developmental skills as long as such a person does not represent themselves as an occupational therapist.

Page 2
Carol J. Laurion
HB 368

I ask you to send a message to the needy people of this State and send a message to Governor Cowper by adopting the Alaska Occupational Therapy Association's language to HB 368 and encouraging your colleagues to do the same.

Sincerely,



Carol J. Laurion, OTR
Occupational Therapist Registered

cc: Alaska Occupational Therapy Association
ASK
Mental Health Consumers of Alaska
Alliance for the Mentally Ill