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## CERVICAL CANCER

### DEFINITION

The cervix is the narrow opening of the uterus (womb) that leads into the vagina (female sex organ). The cells lining the interior of the cervix produce mucus (a body fluid) that keeps the vaginal area moist. In childbirth, the cervix dilates (opens) to allow passage of the infant through the birth canal.

Cervical cancer is cancer that begins in the cervix. It first appears as low-grade (slow-growing) squamous intraepithelial (lining cell) lesions (sometimes referred to as LGSIL) or dysplasia, a condition in which cervical cells go through subtle changes that are clearly abnormal but are not clearly cancerous. These changes can be observed in cell samples, examined under a microscope by a trained technologist.

Next, high-grade (fast-growing) squamous intraepithelial (lining cell) pre-cancerous lesions (sometimes called HGSIL) called carcinoma in situ develop. "In situ" means that the lesion--which is not yet viewed as a true cancer--has not spread beyond the site where it started. If detected at this stage, it can be cured. Left untreated, it can become a true cancer and metastasize (spread) to distant organs, posing a threat to life.

Since the cervix is located deep in the body, and this type of cancer usually doesn't cause any discomfort or symptoms during early development, the only way to detect cervical cancer early is to have a screening test, called the Pap smear, at regular intervals.

### EPIDEMIOLOGY

Cervical cancer is a relatively common cancer, accounting for about 16% of all cancers in women. The American Cancer Society estimates that about 80,800 new cases of cervical cancer will be diagnosed in 1995. Of these, 15,800 will be invasive (spreading into other organs) and 65,000 will be in situ.

Over the past thirty years, as the number of women having the Pap test has gone up, the number of advanced cervical cancer cases has gone down; however, the number of cases in women over the age of 50 has increased. In populations where women do not have the Pap smear, including in some groups in the United States and in all developing countries, cervical cancer rates are high, cases are diagnosed at a late stage, and the rate of deaths is higher than in women who do

have the Pap smear. It is the second leading cancer in women worldwide.

### **SIGNS AND SYMPTOMS**

- Cervical cancer may develop and begin to spread without showing any symptoms.
- Unusual bleeding, spotting (blood spots or light bleeding), or other unusual discharge from the vagina, not from the normal monthly period, may be a sign of cervical cancer.
- Pain may develop in the uterus or in the tummy area, but pain does not usually occur in the early stages of the disease.

These symptoms can be caused by a number of conditions, including some sexually transmitted diseases. If you have these symptoms, don't try to guess, and don't wait for pain to develop. See your health provider promptly.

### **RISK FACTORS**

The following conditions or situations often, but not always, lead to dysplasia or cervical cancer.

- HPV (human papillomavirus or genital warts).** HPV is a sexually transmitted disease--that is, it is passed from one person to another during sex. While men have no cervix (and therefore cannot develop cervical cancer), men can get HPV and pass it on to female partners. If you are concerned that you may have been infected with HPV, but you have no symptoms, you should request an HPV test when you have your yearly Pap smear and pelvic examination. If you have genital warts or any other symptoms that cause concern, you should see your health provider promptly.
- Having a high number of male sexual partners, or having sex with high-risk men.** In terms of cervical cancer, "high-risk men" means men who have had many sexual partners. More than five is considered high. Having many sex partners greatly increases the likelihood of infection with HPV (and therefore, the likelihood of cervical cancer). It also increases the risk of AIDS. These conditions are so closely related that the U.S. Centers for Disease Control and Prevention now defines AIDS in women as: a positive blood test for HIV (infection with the virus that causes AIDS) plus cervical cancer.
- Having sexual intercourse at a young age (loss of virginity)**
- Smoking or other tobacco use.** Nicotine and other chemicals and byproducts of smoking affect more than the lungs. These harmful substances have been found in washings taken from the cervix of women who smoke. Researchers believe that these substances damage the genetic makeup of cells in the cervix, and this damage leads to cancer.
- A high number of pregnancies, even if the pregnancy was not carried to term (there was no birth)**
- Low income level**

## EARLY DETECTION OF CERVICAL CANCER: THE PAP SMEAR

In a Pap smear, a small sample of cervical cells and the mucus made by the cervix is lightly scraped onto a swab, spatula, or brush. The sample is then "smeared" onto a glass slide. The slide is sent to a laboratory where a specially trained technologist examines it under a microscope.

The Pap test can be performed by a physician, nurse practitioner, physician's assistant, or nurse, in the office. It takes only a few moments and normally, is not painful, although some women experience very mild, momentary cramping when the smear is done. Usually, a pelvic examination is also done, immediately after the smear is taken.

The Pap test can find developing cancer cells before they have a chance to spread to other places in the body. About 90% of cervical cancer cases can be detected early through the use of Pap smears. If found early, cervical cancer is almost 100% curable. Also, the earlier the cancer is found, the less complicated its treatment will be.

## WHO SHOULD GET A PAP TEST

All women who are sexually active or over the age of 18 should have a Pap test each year. Even women who have had a hysterectomy (surgery to remove the uterus), should continue to have annual vaginal examinations and Pap smears because these can help to detect cancer of the vagina.

## WHAT THE PAP SMEAR RESULTS MEAN

An abnormal result of a Pap smear does not necessarily mean cancer. In addition to finding cancer cells, the Pap test can also show dysplasia, which means that there are abnormal, but not cancerous cells.

If your Pap smear shows abnormal (not normal, average, or typical) cells, you may need an additional test called a colposcopy. In colposcopy, an instrument with a magnifying lens is inserted into the vagina. The lens makes it possible to see the tissues of the vagina and cervix more closely. This examination has no side effects. If you are pregnant, your health care provider may choose to wait until after the delivery to do the colposcopy; however, it can be done safely during pregnancy.

Two types of cancer are found in the cervix:

- Squamous cell carcinoma comprises 90% of cervical cancers. Squamous cells are scale-like cells that make up passage membranes such as the cervix.
- The remaining 10% are adenocarcinomas, which begin in the cervical glands.

In examining the Pap smear, the technologist uses a classification system and terminology, called the Bethesda system, to answer the following questions:

- Is the sample adequate for evaluation? If not, it will be necessary to have the test again.
- Are the sample cells normal, going through benign (non-cancerous) changes, or abnormal?

- If the changes are benign; are they due to infection with yeast, fungus, bacteria, or virus? Or are the changes reactive--caused by routine cellular repair work, or aging, or an intrauterine contraception device (IUD)?
- If the changes are abnormal, do they indicate cancer development? If yes, is the cancer squamous cell or adenocarcinoma? Is the cancer high-grade (fast-growing) or low-grade (slow-growing)?
- If the cancer is adenocarcinoma (glandular), did it begin in the cervix, in the lining of the womb, or in the uterus?
- If a vaginal smear has been taken, is the hormonal pattern of the vaginal cells normal for the woman's age and history?

## STAGING

Once a diagnosis of cervical cancer is certain, the next step is to determine the stage (extent) of the cancer. Staging is a very important step, because selecting the most effective treatment depends on the stage of the cancer. If you have cervical cancer, ask your cancer care team to explain the stage of your disease. This way, you can participate in making informed decisions about treatment.

For staging, your cancer care team considers:

- The size of the lesion or tumor
- How deeply the tumor has invaded the tissues at the site of development
- The extent of any invasion into surrounding organs (the uterus, the pelvic wall, the vagina, the rectum, the bladder)
- The extent of invasion of distant organs

To obtain this information, you will need additional tests, which may include:

- Biopsy**, removal of a sample of the cancerous lesion, for examination under a microscope. Selection of areas to be biopsied may be based on the colposcopy results.
- Cone biopsy**, in which a cone-shaped portion of tissue is removed for examination under a microscope. This type of biopsy shows how deeply the tumor is invading underlying tissue.
- A complete physical examination**, with special attention to the lymph nodes (for evidence of metastasis), the bladder (for evidence of blockage or local extension of the tumor), and the cervical ligaments and rectum (for evidence of local extension). Based on the findings of the physical examination, **cystoscopy** (examination of the bladder) or **proctoscopy** (visual inspection of the rectum by way of a lighted tube) may be needed.
- A chest x-ray**, if the cancer is not in a very early stage (cervical cancer can spread to the lungs, but this is very rare)
- Computed tomography (CT) scans**, to check the urinary tract and the lymph nodes. In this imaging method, an x-ray beam rotates around the body, taking images at various angles. The images are then put together into 3-dimensional views by a computer. A contrast medium (special dye) may be injected, to highlight details. If the lymph nodes look suspicious, they may be biopsied, using the CT scan or ultrasound imaging as a guide.
- Examination of the cervix under anesthesia**, to determine the extent of

disease in the cervix, especially if radical hysterectomy (surgical removal of the uterus, tissues around the uterus, and a segment of the vagina) is under consideration. If surgery is performed, the retroperitoneal lymph nodes (those at the rear of the abdominal and pelvic wall) may be examined.

- Cystoscopy (examination of the bladder)
- Proctoscopy (examination of the rectum)

Invasive cervical cancer can spread through the bloodstream or the lymph nodes (a network of pea-sized glands that produce white blood cells and fight infection) into other parts of the body. Occasionally, cervical cancer behaves in an unpredictable manner, showing up as a small tumor, but with new tumors already establishing themselves at a distant site. Most cervical cancer takes ten to twelve years to develop to the point of invasive cervical cancer; however, in about 10% of women, invasive cervical cancer can develop in one year or less.

If you have cervical cancer, ask your cancer care team to explain the stage of your disease. This way, you can participate in making an informed decision about treatment.

#### **DESIGNING A TREATMENT STRATEGY**

After the diagnostic tests, when your disease stage is known, your cancer care team will recommend a treatment strategy. Consider the options without feeling rushed, and if there is anything you don't understand, ask to have it explained again. Your overall physical health, the nature of your disease, and your unique situation in life are all essential factors for determining a treatment plan. Together, you and the members of your cancer care team should develop a plan and a follow-up program that fits your particular needs.

Whatever your situation, you may want to seek a second opinion for personal or practical reasons. Personally, pursuing another medical perspective can deepen your understanding of your treatment options. A second opinion may reassure you in your decision to work with the first medical team you consulted, or you may find that the second treatment situation suits you better. On the practical side, some insurance companies require a second opinion before authorizing reimbursement (payment for your cancer care expenses).

#### **TREATMENT FOR SQUAMOUS INTRAEPITHELIAL LESIONS (LGSIL, HGSIL)**

Although squamous intraepithelial lesions are not cancer, it may need to be treated. Treatment choices are:

- Cryosurgery: Freezing and then removing abnormal cells.
- Laser surgery: A focused laser beam is used to burn off abnormal cells.
- Electrosurgical loop excision diathermy (LEEP): Use of a small looped wire with electric current to generate heat and burn off cancerous cells.
- Electrocautery: With electric current, burning off abnormal cells.
- Hysterectomy: Surgical removal of the uterus and cervix.

#### **IF YOU ARE PREGNANT**

Treatment for cervical cancer may differ significantly if you are pregnant. If you have cervical cancer and are pregnant, talk with your cancer care team about your options.

### **IF YOU ARE NOT PREGNANT**

The choice of treatment depends on your age, the stage of the cancer, and whether you wish to have children. Hysterectomy means that you can no longer bear children.

### **TREATMENT OF CERVICAL CANCER, ACCORDING TO STAGE**

The stage of cervical cancer is classified by the FIGO system. (FIGO stands for International Federation of Gynecologists and Obstetricians). In general, the higher the stage, the more difficult the cancer is to treat successfully. Metastasis means that the disease is spreading beyond the original tumor.

When radiation is used, it may be given as external beam radiation, which is like having an x-ray, but for a longer period of time and at a higher dose of x-rays, or as a radiation implant, which is inserted into the cervical area for a specified period of time.

**Stage 0** means the tumor is in situ (it has not begun to spread into adjacent or nearby tissues).

**Stage I** means that the tumor involves more tissue, but has not spread beyond the cervix. Treatment at these stages is usually highly successful. During pregnancy, no treatment is given for these stages. Otherwise, treatment options include:

- Electrosurgical loop excision diathermy (LEEP), as described above.
- Laser surgery, as described above.
- Conization: Removal of a cone-shaped section of tissue that includes the cancer. Cold-knife conization means that high-frequency current is used for the procedure.
- Cryotherapy, as described above.
- Radiation (without surgery): A radiation implant is applied to the affected area. This method is chosen only if other health conditions make it risky or impossible to perform a hysterectomy. Depending on the size of the lesion, external radiation may also be performed.
- Total hysterectomy (removal of the uterus and cervix): This may be done via an incision through the abdomen or through the vagina. This treatment is often recommended for women past the childbearing years, or when the cancer has begun to spread to areas surrounding the cervix. Depending on age and the circumstances, oophorectomy (removal of the ovaries) may also be done. If it appears that the tumor has begun to spread beyond the original site, it will be necessary to check the lymph nodes during surgery.
- Radical hysterectomy, with bilateral pelvic lymphadenectomy. More extensive (wider) surgery to remove the uterus and cervix, plus removal of the pelvic lymph nodes to check for spread of the disease. This is sometimes

followed by external beam radiation to the pelvic area (the area between the hips).

**Stage II:** The cancer has spread beyond the cervix, but not past the upper third of the vagina or into the uterus, or the tumor has spread to the uterus, but not beyond. The options are:

- Radiation: External beam or implant(s), with or without hydroxyurea (a cancer-fighting drug).
- Radical hysterectomy and pelvic lymphadenectomy, often followed by external beam radiation to the pelvic area: Removal of the uterus, cervix, and nearby lymph nodes.

**Stage III:** The cancer extends to the pelvic wall or the tumor involves the lower third of the vagina, or the cancer has spread to one or both kidneys, or is blocking the flow of urine to the bladder. Treatment options include:

- Radiation: External beam or implant(s), with or without hydroxyurea.

**Stage IV:** This means that the cancer has spread beyond the pelvis or into the bladder or rectum or both, or the kidneys, or to one or more distant organs. The preferred treatment is:

- Radiation: External beam or implant(s), with or without hydroxyurea.
- Chemotherapy: Treatment with powerful cancer-fighting drugs, especially cisplatin or ifosfamide, when distant organs are involved.

#### **RECURRENT (RE-OCCURRING) CERVICAL CANCER**

If the recurrence is at a distant site, there is no standard treatment. If the recurrence is not distant, very extensive pelvic surgery to remove all of the affected tissue and organs may be used, often in addition to radiation or chemotherapy (or both), using fluorouracil, with or without mitomycin. To relieve painful symptoms of advanced disease, chemotherapy with cisplatin, ifosfamide, or a combination including ifosfamide or radiation therapy may be helpful.

#### **SIDE EFFECTS OF TREATMENT**

Before you begin treatment, it's a good idea to ask your treatment team about the side effects you can expect. They should have a good idea about what side effects are usually experienced during therapy, how long they might last, and how serious they might be. This can help you to plan and manage your normal activities during the time you will be treated.

If you experience any symptoms related to your treatment, be sure to report them right away to your cancer care team, especially the nurse. There may be ways to relieve the symptoms. For example, new medications recently developed can be given before, after, or during chemotherapy to prevent or stop nausea and vomiting. Also, if you are having trouble staying on therapy, for any reason, don't quit. Talk with your cancer care team. It may be possible to adjust the dosage or the treatment schedule to make it easier for you to complete all the treatments you

need.

### **PROGNOSTIC (OUTCOME) FACTORS**

Early detection of cervical cancer saves lives. Ninety percent of women who have been diagnosed with in situ cervical tumors survive five years or more.

For those women who have invasive cervical cancer, the survival rate varies a great deal, depending on where the cancer has spread.

If you have questions about your personal chances of cure of cervical cancer, or how long you might survive such a cancer, talk with the people who know your unique circumstances best--your cancer care team.

### **ORGANIZATIONS AND RESOURCES**

For additional information on cervical cancer, contact the National Cancer Institute's Cancer Information Service at 1-800-4-CANCER. A list of clinical trials appropriate for your unique situation will be sent on request.

### **REFERENCES.**

American Cancer Society. Cancer Facts & Figures - 1995. Atlanta: American Cancer Society, 1995.

Dorland's Illustrated Medical Dictionary. 26th ed. Philadelphia: W. B. Saunders, 1985.

March 26, 1996



Senator James Duncan  
FAX 465-4748

Dear Senator Duncan:

Thank you for your request for testimony in regard to your wish to have Aetna cover the cost of prostate-specific antigen testing on a routine screening basis.

As you have undoubtedly learned, this is not currently covered as a screening test. To be fair, its reputation as a screening test is controversial. However, we all know of personal anecdotal incidences, and as a urologist I know of many situations whereby curable prostate cancer was diagnosed solely on the basis of the patient having had a PSA determination. Admittedly, it is falsely positive on numerous occasions. However, it is impossible to place a value on a life saved by early detection of prostate cancer.

As you likely know, the incidence of the diagnosis of prostate cancer, particularly in a curable stage, has dramatically increased over the past few years. While our ultimate ability to make the diagnosis depends on prostate ultrasound and ultrasonically-guided needle biopsy as well, the initial suspicion of the possibility of prostate cancer is almost always the result of an elevated PSA. The time-honored method of diagnosing prostate cancer has heretofore been the annual rectal examination. There are increasingly dismal statistics to back up the fact that while this exam certainly does pick up curable prostate cancer, it also simply points out the probability of prostate cancer, which in many cases is no longer curable.

To summarize, PSA determination is indeed an important, and perhaps the most important, first line test for the early diagnosis of curable prostate cancer. Like many medical tests, it certainly has a significant incidence of false positivity, however, the fact remains that it is essential as a part of our diagnostic armamentarium in regard to uncovering curable prostate cancer. The current recommendations, depending on various sources, would generally suggest that annual PSAs be done on the 50 to 60-year-old age group, and semiannual PSAs beginning at age 60. This should be done ten years earlier if there is a first degree relative with the diagnosis of prostate cancer or if one is an African American.

I regret that I could not attend your committee meeting to testify in person. My failure to do so does not indicate a lack of interest, but rather a schedule which could not be changed without inconveniencing multiple patients to do so.

If I may be of further help in achieving your goal of including PSA determination under Aetna coverage, please do not hesitate to call or write.

Sincerely,

Mark R. McCaughan, M.D.

MRM/blh

- LETTERS OF SUPPORT (3)

Mark R. McCaughan, M.D.

Diplomate,  
American Board  
Of  
Urology

227 Glacier Highway  
Juneau, Alaska 99801

(907) 586-5656  
Fax (907) 586-8081

TO: JIM DUNCAN  
466-4748

FAXED 10:05 am  
3-7-96

FROM: JIM STOURHTON

March 5, 1996

Senator Jim Duncan  
Alaska State Capitol  
Room 119  
Juneau, AK 99801-1182

Dear Senator Duncan:

It's my understanding that you are introducing a bill for all insurance companies to pay for a prostate specific antigen or PSA testing for Prostate Cancer. I think this is wonderful and way past due for prevention and early detection of Prostate Cancer.

In addition, I recommend that you include coverage for a PAP test which is required if someone has an elevated PSA result. Also, please consider coverage for a penile implant. Many men lose the ability to obtain an erection after surgery due to nerve damage, including myself who underwent Prostate surgery at the age of 55.

I did not have any symptoms of Prostate Cancer, but it was discovered with the PSA screening done at an routine physical. Having had the surgery after a second opinion by a Urologist in Seattle, I have and will take for my lifetime a chemotherapy oral medication and a monthly injection. These two medications cost \$298.35 and \$523.25 per month.

The American Cancer Society promotes prevention and early detection. Having the insurance companies pay for the PSA screening which is approximately \$200.00 as likewise a PAP screening if required will save money and lives.

My coverage under the State of Alaska's Aetna plan will not cover a penile implant. Yet, the same plan will cover a breast reconstruction for a women that has had to undergo a mastectomy. The breast is a non operating organ. I do not resent this because there is also an psychological impact with either of these procedures for a cancer patient.

Please consider amending your bill to cover all of these procedures.

I would like to testify at the hearing, but unfortunately, I work for the Alaska Marine Highways and will be out on the ship. Please accept this letter as my testimony.

According to the American Cancer Society, Prostate Cancer incidence rates increased 50% between 1980 and 1990, largely due to improved detection. There was approximately 40,000

due to improved detection. There was approximately 70,000

deaths in 1995, the second leading cause of cancer death in men, with lung cancer being number one. The 5 year survival rate for patients with prostate cancer diagnosed while it is still localized is 94%.

Sincerely,

*Jim Stoughton*

Jim Stoughton  
4410 Riverside Dr.  
Juneau, Ak 99801

I am here to speak in support of SB 253, relating to insurance coverage for costs of prostate cancer detection. Presently, women live longer than men. This bill would increase men's odds of survival!

If you exclude skin cancer, prostate cancer is the leading cause of cancer in men. In the U.S., there were 200,000 new cases in 1994. It is the second leading cause of death from cancer in men, causing 38,000 deaths in the U.S. in 1994.

Certain factors place some men at greater risk for developing prostate cancer. These include: African-American background, increasing age, and perhaps a diet high in fat intake. The course of prostate cancer is extremely variable. Some tumor subsets are aggressive, grow rapidly, metastasize quickly and lead to a rapid death. Generally, they are slow growing, do not present symptoms, and are only found incidentally at autopsy.

PSA is an enzyme test that measures prostate specific antigen in the blood. This protein is specific to the prostate, but not to prostate cancer. So blood levels of the protein correlate to the amount of prostate tissue. This means that all kinds of prostate tissue, whether it is normal or malignant, may increase the PSA. Eighty percent of men with prostate cancer, will have an increase in PSA. A smaller increase is occasionally seen in older men with an enlarged prostate, which is a common condition in elderly males. If PSA results are low (< 4 ng/ml.), one feels reassured. If results are high (>10 ng/ml.) the client is referred to a urologist. Results between 4-10 are in "the gray zone". This is considered a minimal elevation. Twenty five % of these men (with results between 4-10) will have prostatic cancer, regardless of the finding on a digital rectal examination.

Most authorities who recommend the PSA test, advocate combining it with other modalities such as digital rectal examination or trans-urethral ultrasound. Although PSA misses about 20-30% and digital rectal exams miss about 50% (range, 14-64%) of prostate cancer, the two together detect an additional 15-20% or more over results from either one alone.

The treatment for prostate cancer is surgery and/or radiation. Urinary incontinence is a complication in 30% of cases.

1

Routine screening of men without symptoms of prostate cancer is controversial. Presently, no data links PSA screening with a decrease in deaths from prostate cancer. The FDA has not approved PSA as a screening test for early detection, although it is approved for monitoring patients who already have prostate cancer.

The American Cancer Society (ACS) and American Urological Assn. (AUA) recommend annual PSA testing for all men aged 50 and older. Both of these professional organizations recommend annual screening for men younger than age 50 who are in high-risk groups. This includes men 40 and over with a family history of prostate CA & men who have had their vasectomy at 40 or older.

The AUA recommends stopping annual testing at 70.

The ACS recommends screening be stopped when the patient's life expectancy is <10 years.

The American Academy of Family Physicians, Canadian Task Force on Periodic Health Examinations, National Cancer Institute, and US Preventive Services Task Force do not recommend routine screening in asymptomatic men

The negative side of this testing is that up to 70% of men with PSA levels b/w 4-10 will not have prostate cancer and may undergo the expense, discomfort and emotional stress of additional diagnostic studies for no benefit.

The possible benefits of PSA screening are:

- men are more willing to have a blood test than a physical exam.
- if it is combined with a digital rectal examination, there is a 2-3 time increase in prostatic cancer detection rate
- a decrease in death from prostate cancer that is discovered early. However, there is no current data available to demonstrate this. (This test has only been available since 1979, hence the reason for the lack of long-term data)
- PSA may improve the specificity of prostate cancer screening and reduce unnecessary biopsies.
- it is the most cost effective way of screening for prostatic CA. (The cost of a PSA at Corning Lab is \$43.30. A trans-urethral ultrasound in a urology office is \$325.00)

More specific screening tests are needed. As we speak, more are being developed. They include:

- adjusting for increasing age
- measure serial PSA's and calculate the rate of change
- calculate the ratio of PSA level to the volume of the prostate (PSA Density)

Although this is not a perfect test, it is the best that we have for now. The Alaska Nurse Practitioner Association recommends that this bill be passed with the goal of detecting prostatic cancer at a curable stage, thereby improving men's health.

*Mary Anne Wilson*

Testimony presented by  
Mary Anne Wilson, MS, RN, CS, ANP  
Alaska Nurse Practitioner Association  
Secretary and Legislative Representative

MR. EVANS replied it would be considered in the underwriting process. Any mandated benefit usually leads to some sort of an increase in premiums. He noted that he is covered by state health insurance through his wife, and they have always paid for PSA tests for him. So he does not know why they say some companies aren't covering it now.

CHAIRMAN KELLY asked if there is anyone who disagrees that the state health insurance policy pays mandated benefits.

Number 207

CAROL EDWARDS, RN and nationally certified oncology nurse, stated her husband was turned down for his PSA screening. She believes that men deserve the same rights in PSA testing that women receive in mammogram testing. Mandating insurance companies to pay for mammogram screening is now common throughout the United States. She believes that mandating payment by insurance companies for PSA screening will follow. Prostate cancer is the most commonly occurring cancer in men in the United States: 41% of all cancers in men are prostate cancers. A lot of men die with prostate cancer, and not of it. If a man lives to be 90 years old, he will probably have prostate cancer, although it will probably not be the cause of death.

Number 244

Ms. Edwards stated that the younger a man is, the more aggressive prostate cancer will be, and the more likely that it will be the cause of death. Early detection of prostate cancer is the best chance for a cure. Ms. Edwards stated that unfortunately, she mostly sees patients with cancer in more advanced stages. Ms. Edwards stated that Aetna refused to pay for a PSA test for her husband, even though his father died of prostate cancer. He has a State of Alaska health insurance policy, and he carries the rider for the annual physical. In a letter, Aetna stated they would not pay for the PSA test, even though he was considered high risk, because it was a questionable test. Ms. Edwards stated it is a debatable test.

CHAIRMAN KELLY asked if that test that will be mandated by SB 253.

MS. EDWARDS responded it is.

CHAIRMAN KELLY asked if the state will, at this time, pay for prostate examinations.

MS. EDWARDS replied they will pay for a digital rectal examination. They will pay for a cardiac risk profile: her husband has no risk of cardiac disease, but they will pay for that test. He does have a risk of prostate cancer, but they will not pay for a PSA test. They won't pay for this one particular test, which at Bartlett Memorial Hospital costs between \$60.00 - \$70.00. She stated that her family is personally willing to pay for that, because they are capable of doing so. But it is the individual who is less knowledgeable and would not know the value of the test who might not be so likely to pay out of pocket. Ms. Edwards stated that in the oncology world there is a phrase called "oncology family

syndrome". This phrase means that if there are three generations of cancer in your family, and it does not have to be the same type of cancer, then you are considered to be at high risk for having cancer.

CHAIRMAN KELLY asked how family is defined.

MS. EDWARDS thinks it goes back through generations. She knows that mother, grandmother, and great-grandmother are considered to be in those studies.

CHAIRMAN KELLY asked Ms. Edwards what word is used to describe family relationship and degrees of family relationships.

MS. EDWARDS stated she would be willing to find that information for the committee.

CHAIRMAN KELLY stated the committee would appreciate that. He asked if there were any questions. Hearing none, he asked if anyone knew the word used to define that whole phrase.

MS. EDWARDS asked if the chairman was thinking of "immediate family".

CHAIRMAN KELLY responded that is not the word. He came across it when he was working for the Nevada Legislature. He called Mr. Chisholm to testify.

Number 299

BILL CHISHOLM stated he works in the claims field for the State of Alaska, and is covered by Aetna for almost everything. He stated he spends a great deal of time reviewing insurance provisions and supports SB 253. Mr. Chisholm stated that in 1991 during his annual physical, his physician recommended he take the exam. He did, and Aetna paid for it. Aetna also paid for the PSA exam for his 1992 physical. In 1993, Aetna would not pay for the test, and they have not paid for it since then. When he called Aetna to inquire why they did not pay for the test, he was told that the test was not an acceptable diagnostic tool. He believes that a test of this type is probably more accurate than the examination which involves a physician facing a somewhat squirming subject and trying to determine size and hardness or softness of a particular part of the body. In looking at the 1994 denial, it states that, "Services must be broadly accepted, professionally as effective, appropriate and essential treatment of disease or injury. Based on that, this is not covered." Mr. Chisholm pointed out that whether it's a PSA screening or a digital rectal exam, they are both for detection, not for treatment. He believes that men should be entitled to have the best screening possible for a potential disease of this type.

CHAIRMAN KELLY asked Dr. Palmer to testify.

Number 348

DR. PALMER, a Juneau physician, explained family genetics are such that certain problems can skip generations in people who are

**SB**

**261**

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. SB 261

Revision Date: \_\_\_\_\_  
Title: Unemployment Compensation  
Sponsor: Senate Labor & Commerce  
Requestor: Senate Labor & Commerce

Department Affected: Labor  
BRU: Employment Security  
Component: Employment/Unemployment Services  
COMPONENT SERIAL NO. 1807

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

CHANGE IN REVENUE FUND SOURCE #						
------------------------------------	--	--	--	--	--	--

**FUNDING:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY96) impact: \$ None

**ANALYSIS:** (Attach a separate page if necessary)  
The bill makes several changes to the unemployment insurance provisions in the Alaska Employment Service Act. In addition to several technical amendments, the bill addresses federal income tax withholding, confidentiality of records, contributions and collections, benefit overpayments, finality of determinations and appeals. The tax withholding provision is a federal conformity requirement which will allow voluntary withholding of benefits to cover a claimant's federal income taxes. The other changes clarify ambiguities in the law and increase the efficiency and accuracy of claim adjudication and collection of amounts due to the unemployment compensation fund. The costs associated with these changes will be accommodated within existing expenditure authorization.

Prepared by: Rebecca Nance, Director Phone: 465-2712  
Division: Employment Security Date: 2/12/96  
Approved by Commissioner: Tom Cashen, Commissioner  
Agency: Department of Labor Date: 2/12/96

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### Sponsor Statement

#### SB 261

**"An Act relating to the release of employment security records; relating to an injunction or an employer's security for delinquent unemployment insurance contributions..."**

SB 261 was requested by the Department of Labor and makes several changes to the Employment Security Act in six major areas: (1) federal income tax withholding; (2) confidentiality of records; (3) contributions and collection; (4) benefit overpayments; (5) finality of determinations; (6) appeals. SB 261 also contains a few minor cleanup provisions and technical amendments.

The six major changes are outlined here:

**Income Tax Withholding.** One important change brings the Employment Security Act into conformity with a new federal provision that requires states to allow claimants to have income withheld from their benefits to cover their federal income tax liability.

**Confidentiality of Records.** Proposed changes to current law would allow the Department of Labor to provide additional specific unemployment insurance information to other entities under strict disclosure guidelines. This information exchange will support and enhance the department's own programs, as well as assisting other state programs. The information would be used only to protect the unemployment compensation fund, enhance employment, training, and labor market information programs, and assist state eligibility verification and collection functions. These changes do not rescind public disclosure prohibitions already in statute. They are intended only to increase efficiency of state government while retaining current privacy safeguards.

**Contributions and Collections.** Two provisions would provide important tools for collecting delinquent contributions. First, the department would be authorized to require a deposit or bond from an employer who is at least two quarters delinquent in making contributions to the unemployment compensation fund. SB 261 would also allow the Department to enjoin a delinquent employer from operating. Additionally, the bill allows the Department to notify employing units of their contractor's or subcontractor's liability for contributions to the unemployment compensation fund. This information will help employers to meet their obligation to require contribution bonds of their subcontractors before making contract payments.

**Benefit Overpayments.** The standard for waiving unemployment insurance overpayments would be changed from "great hardship" to "equity and good conscience." The new standard would allow the Department to consider other factors, such as the degree of good faith in claiming benefits. The bill would also permit the Department to write off uncollectible overpayments after two years. Practice has shown that most recoverable overpayments are collected within two years.

**Finality of Determinations.** The Department would be given authority to correct any determination during the benefit year of an unemployment claim. This change will increase the accuracy of claim adjudication.

**Appeals.** A proposed amendment would provide a uniform 30-day time period for filing appeals from any determination made by the department. The current 15-day period probably impacts rural parties unfairly and may not allow enough time to review and consider an appeal. A longer period will still allow for prompt disposition of claims and assessments.

The bill would clarify the legal effect of appeal decisions. It would make it clear that findings of fact and conclusions of law in unemployment hearings are not binding in another proceeding. This change to current law will prevent excessive litigation by parties based on the effects of the Department's rulings in later civil litigation. This change should keep unemployment hearings speedy, informal, and inexpensive.

Both the 30-day appeal period and the provision restricting the scope of department decisions address concerns of a recent legislative audit of the unemployment insurance appeals process.

**Other Minor Changes.** Additional changes would allow an insured worker to continue receiving unemployment while attending the funeral of an immediate family member; require a worker to file a compensable claim for the week immediately before jury duty or attendance at a funeral in order to receive an eligibility exemption for those reasons; exempt extended benefit claimants from the work search requirement while attending an approved training course; correct the definition of "waiting week" in the Employment Security Act; and clarify the treatment of "cafeteria plan" payments under the wage definition in the Act.

SECTION BY SECTION ANALYSIS  
SENATE BILL NO. 261

Section 1 amends AS 23.20.110(a) in the following two areas:

- a. Employer access to information. A clarifying amendment gives employing units access to confidential information necessary to protect their rights under the Employment Security Act. This change would make it clear that both claimants and employing units have the right to information necessary to present or contest any claim or determination under the Act.
- b. Information shared with AHRIC-sponsored programs. The Alaska Human Resource Investment Council now has responsibility for coordinating all state employment and training programs under AS 44.19. This amendment would allow sharing of employment security information necessary to carry out the council's mandate.

Sec. 2 amends AS 23.20.110(d) to allow the department to charge persons for the cost of providing information. This change is consistent with an amendment proposed in section 3 of the bill which allows sharing of confidential information with authorized persons and agencies.

Sec. 3 amends AS 23.20.110 by adding subsections (l)-(n) to allow the department to provide unemployment insurance information to other persons and entities under strict disclosure guidelines. The information would be used only to protect the unemployment compensation fund and assist state eligibility verification and collection functions. These changes do not rescind the public disclosure prohibitions in AS 23.20.110; they would increase

efficiency of state government while retaining current privacy safeguards. Specific changes:

- a. Eligibility verification and collection. New AS 23.20.110(1) would allow the department to share information as necessary to verify the eligibility of applicants for state benefits, assist in the collection of fines and judgements, and collect money owed the unemployment compensation fund.

Proposed paragraph (1) would allow the department to release information for purposes such as verifying permanent fund dividend applications or determining public defender eligibility of criminal defendants. Under current law, the department must deny requests from the court system and other state agencies for residency, wage, and other information in departmental records.

Paragraph (2) would allow the department to release information to the Department of Law to verify the location and income of obligors. There is currently a large backlog of uncollected judgements, and this information would help the Department of Law determine probability of collection and focus collection efforts appropriately.

Paragraph (3) would allow the department to release information on persons or employing units that are delinquent in paying contributions or repaying benefit overpayments. Release would be restricted to information necessary for collection of the amounts due. The restriction would apply to the kind and amount of information released, as well as to the agencies or persons to whom the information would be released. Permitting disclosure would improve the department's ability to collect money owed the fund. The department is currently

prohibited, for example, from releasing the identity of even fraudulently overpaid claimants to a collection agency.

- b. Information release agreement. New AS 23.20.110(m) would require an information release agreement between the department and the requestor prior to any release of information. The agreement would confirm the purposes for the information and the procedures for transmission, use, and safeguarding of the information. The statute already requires verification of a requestor's safeguarding procedures under federally-mandated disclosure provisions. This amendment would extend these requirements to any information release, and it would provide more consistent procedures for maintaining the confidentiality of the information.
  
- c. Statistical reports. New AS 23.20.110(n) would allow the department to include firm name, address, industrial classification code, census code, and staff information in the department's labor market information reports. This would increase the usefulness of the reports, without revealing payroll or wage data.

Sec. 4 adds two new sections to the Employment Security Act, dealing with delinquent contributions. New AS 23.20.247 would give the department authority to require a bond or security from an employer whose contributions to the unemployment fund are more than two quarters delinquent. New AS 23.20.248 would allow the department to seek an injunction against a delinquent employer who refuses to post the bond. The injunction would not be sought until the employer had been given 30 days to post the bond or security. The department would have authority to waive the bond requirement after the delinquency was satisfied

The above provisions would be used when other collection remedies in the Act were not effective. For example, the delinquent account of an employer who operates on leased equipment and has no attachable assets is largely uncollectible using current procedures. In the past two years, the department has declared uncollectible 180 accounts, totalling \$454,213. About half these accounts had significant delinquent balances, and many were not collectible using currently available collection remedies.

Sec. 5 amends AS 23.20.265 to allow the department to notify employing units of their subcontractors' liability for contributions to the fund. Under current law an employing unit is liable for the fund obligations of its contractors or subcontractors, if it makes payment to them before they post a bond sufficient to cover contributions, penalties, and interest owed to the fund. Providing employing units with information on subcontractor liability will allow them verify compliance.

Sec. 6-9 amend the current appeal provisions to provide a uniform 30-day time period in which an employing unit may file an appeal from rate determinations and assessments made by the department. The current 15-day time period is unnecessarily short, considering the complexity of some of these cases. The 30-day appeal period was a recent legislative audit recommendation.

Sec. 10 allows the department to redetermine monetary or non-monetary unemployment insurance determinations within one year from the department's initial determination. The current provision allows the department to correct only a monetary determination. The amendment would allow the department to correct any determination resulting from inaccurate information or an error in computation, identity, or application of law. This change will improve the accuracy and fairness of the department's claim adjudication.

Sec. 11 amends AS 23.20.340(e) to provide a uniform 30-day appeal period for all benefit determinations under the Employment Security Act. The 30-day appeal period was a recommendation of a recently-completed legislative audit of the department's employment security appeals function. The current time period for filing appeals is 15 days from the date the department's decision is mailed to a claimant or other interested party. The 15-day period probably impacts rural parties disparately, due to mail delays, and it may not allow enough time to review and consider an appeal. A longer period would reduce this impact and still allow for prompt disposition of claims.

Sec. 12 amends the availability for work provision in AS 23.20.378 to allow an insured worker to receive benefits while attending the funeral of an immediate family member for a period no longer than seven days. Benefits would be paid only if the worker filed a compensable claim for the week before the funeral attendance. The proposed amendment would also extend this compensable claim requirement to any claimant seeking an availability exemption under AS 23.20.378.

Sec. 13 changes the standard for waiving unemployment insurance overpayments under AS 23.20.390(b) from the current "great hardship" standard to one of "equity and good conscience". The new standard would allow the department to consider other factors, such as the degree of good faith in claiming benefits, the exact cause of the overpayment, whether the claimant received only normal benefits or a duplicate payment, and the extent of the claimant's detrimental reliance on the award of benefits, in addition to financial hardship. The equity and good conscience standard is well-established in other jurisdictions, both federal and state, so there is ample precedent to guide the department in applying the standard.

Sec. 14 allows the department to declare uncollectible an overpayment that has not been repaid within two years and to remove it from the department's books. The current statute requires the department to carry overpayments for six years before they may be declared uncollectible.

Sec. 15 increases the appeal period for overpayment liability determinations to 30 days. This is consistent with the other appeal period changes made in the bill.

Sec. 16 adds a new section to the Employment Security Act to allow voluntary income tax withholding on unemployment insurance benefits. This change is necessary to bring the Act into conformity with Public Law 103-465, which requires states to allow claimants the option of withholding from their benefits to cover their federal income tax liability on those benefits.

Sec. 17 exempts extended benefit claimants from the work search requirement while attending an approved training course. These claimants are already exempted under federal law; this change simply brings the Act into full agreement with federal extended benefit law.

Sec. 18-19 amend the appeal provisions in AS 23.20.430-435 to provide a 30-day time period for filing an appeal from a decision of the appeal tribunal and to allow the department 30 days to initiate review of a decision of the appeal tribunal. These changes are consistent with the 30-day appeal period for tax and benefit determinations elsewhere in the bill.

Sec. 20 amends AS 23.20.455 to clarify the scope of the department's rulings in unemployment insurance cases. It restricts the scope of the department's declaration of legal principles to only those cases decided under the Employment

Security Act. This change is consistent with the amendment proposed in sec. 21 of the bill.

Sec. 21 adds a new section to the Employment Security Act to clarify the legal effect of appeal decisions. Under this provision, findings of fact and conclusions of law only have preclusive effect in proceedings before the department, and are not binding in another forum or proceeding. The purpose of the amendment is to prevent parties from excessively litigating issues based on the effect the department's rulings may have on later civil litigation. For example, under this provision a finding of fact or conclusion of law made by the department regarding whether an employee was terminated for misconduct could not be given preclusive effect in a subsequent civil lawsuit for wrongful discharge. The change is intended to help keep unemployment insurance hearings speedy, informal, and inexpensive.

Sec. 22 is a technical amendment that corrects the "waiting week" definition in AS 23.20.520(20). It simply adds another provision to the current incomplete list of disqualifying provisions which would disqualify a week for use as a "waiting week."

Sec. 23 amends the list of employee compensation payments in AS 23.20.530(b) which are not deemed "wages" and are therefore not subject to employment security contributions. It specifies that "cafeteria plan" payments are not considered wages so long as the payments would not be otherwise treated as wages under AS 23.20.530. For example, payments made to a cafeteria plan for retirement or medical expenses would not be considered wages, because those payments are excluded elsewhere in the definition of wages. On the other hand, payments made under the plan that an employee elects to take in the form of cash would still be considered wages. Cafeteria plans have been treated this way for some time for federal withholding and payroll tax purposes. The

Federal Unemployment Tax Act (FUTA) was amended in 1986 (Public Law 99-514) to make it clear that the cafeteria plan exemption applied to both FUTA and Federal Insurance Contributions Act (FICA) taxes. This change will bring Alaska and federal law into harmony on this point.

Sec. 24 provides an effective date of July 1, 1996.

**SB**

**300**

FEB 21 1990 10L 12:00 ALASKA BUSINESS TIME 101 700010

# MEMORANDUM

State


Attention  
Sherman  
Erouf

TO: Jeff Bush  
Deputy Commissioner  
Dept. Commerce and Economic Development

DATE: February 27, 19

FILE NO: sb300\_sl

TELEPHONE NO: 907 465-2521

FROM: Willis F. Kirkpatrick   
Director  
Division of Banking, Securities and  
Corporations  
Department of Commerce and  
Economic Development

SUBJECT: SB 300 Sen L&C  
UCC Investment Securities

By copy of the memorandum I'm advising Senate Labor and Commerce Committee, Senator Kelly, Chairman, that I have reviewed SB 300 and find no objection. The foundation of the proposed legislation is the Uniform Commercial Code addressing investment securities. Much like our new Uniform Commercial Code - Funds Transfer (ss 12 ch 34 SLA 1993) this will update and make Alaska current with other UCC states through out the nation on investment securities. This legislation will in no way hinder or impede our investor protection responsibility in the administration of the Alaska Securities Act.

The Honorable Tim Kelly  
July 25, 1995

Page 2

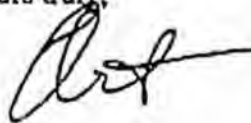
states had already enacted it. As of April 15, five had done so, and it was pending in 17 others. This revision is supported by the following, among others:

- American Law Institute
- American Bar Association
- American Society of Corporate Secretaries, Inc.
- American Stock Exchange
- The Depository Trust Company
- Federal Reserve Bank of New York
- National Association of Securities Dealers, Inc.
- National Securities Clearing Corporation
- Participants Trust Company
- Securities Industry Association
- State Street Bank and Trust Company
- United States Securities and Exchange Commission
- International Securities Clearing Corporation
- Investment Company Institute

I am not aware of any opposition, and I invite John McCabe to send whatever information he can on this point.

Thanks for your consideration and support.

Yours truly,



Arthur H. Peterson  
Uniform Law Commissioner for Alaska

AHP/gg

cc: John M. McCabe  
Legal Counsel and Legislative Director  
NCCUSL

Rest of Alaska's ULC Delegation:

Hon. Jay A. Rabino vitz  
W. Grant Callow, Jsq.  
Tamara Brandt Cook, Esq.  
L. S. Kurtz, Jr., Esq.  
Deborah E. Behr, Esq.

gg/ahp/kelly.doc

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Anchorage, Alaska 99501  
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Facsimile (907) 277-9806

July 25, 1995

The Honorable Tim Kelly  
Chair, Senate Labor & Commerce Committee  
Alaska State Legislature  
716 West 4th Avenue, Suite 400  
Anchorage, AK 99501-2133

Re: Revision of Uniform Commercial Code Article 8 (Investment Securities)

Dear Tim:

By the copy of this letter, I am asking the staff of the National Conference of Commissioners on Uniform State Laws to send you the up-to-the-minute information packet for the 1994 revision of Article 8 of the Uniform Commercial Code. This packet will include the text of the Article 8 revision, itself, along with the "official commentary" and other explanatory material.

As I mentioned when we discussed this bill by phone this afternoon, it is a relatively lengthy bill, but it has one basic theme. Its key element is the recognition of current handling of investment securities by electronic means instead of paper and by the use of clearing corporations and securities intermediaries. It goes further than the NCCUSL's 1978 Article 8 Amendments (which Alaska enacted in 1990), in order to recognize these changes in the "real world" and to provide legislative solutions to the many issues engendered by them.

A summary sentence provided by the NCCUSL states "The revision sets forth rules concerning the system through which securities are held, specifying the mechanisms by which ownership and other interests in securities are recorded and changed, and some of the rights and duties of the parties who participate in the securities holding system."

The governor's legislative director, Pat Pourcho, tells me that the Administration supports the bill. In the Department of Commerce and Economic Development, Jeff Bush and Larry Carroll would be the contact persons; in the Department of Law, Deborah Behr would be at least the initial contact person. There is a big push, nationally, to get this revision enacted by the states as soon as possible, but I was thinking of a different bill when I said that I thought that 30

**A Few Facts About  
Revised UCC Article 8 (1994)**

- PURPOSE:** To update UCC Article 8 to provide a modern legal structure for a recently developed system of securities holding through securities intermediaries. The revision sets forth rules concerning the system through which securities are held, specifying the mechanisms by which ownership and other interests in securities are recorded and changed, and some of the rights and duties of the parties who participate in the securities holding system.
- ORIGIN:** Completed by the Uniform Law Commissioners in 1994.
- ENDORSED BY:** American Law Institute  
American Bar Association
- SUPPORTED BY:** American Stock Exchange; The Depository Trust Co.; Federal Reserve Bank of NY; National Association of Securities Dealers; New York Clearing House Corporation; New York Stock Exchange; Securities and Exchange Commission.

**STATE  
ADOPTIONS:**

Arizona  
Arkansas  
Idaho  
Illinois  
Indiana  
Louisiana  
Minnesota

Nebraska  
Oklahoma  
Oregon  
Texas  
Washington  
West Virginia

**1996  
INTRODUCTIONS:**

Alabama  
Alaska  
California  
Colorado  
District of Columbia  
Hawaii  
Iowa  
Kansas  
Kentucky

Maryland  
Massachusetts  
Mississippi  
Missouri  
New Mexico  
Pennsylvania  
Vermont  
Virginia

For any further information regarding the Revision to UCC Article 8, please contact John McCabe or Katie Robinson at 312-915-0195.

(2/27/96)

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. SB 300

Revision Date: \_\_\_\_\_  
Title: Uniform Commercial Code: Art. 8 (Securities)

Department: Commerce and Economic Development  
BRU: Banking, Securities and Corporations  
Component: Banking, Securities and Corporations

Sponsor: Senate Labor & Commerce  
Requestor: Senate Labor & Commerce

COMPONENT SERIAL NO. 1233

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES</b>	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: \$ 0.0

**POSITIONS**

FULL-TIME	
PART-TIME	
TEMPORARY	

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Willis F. Kirkpatrick, Director Phone: 465-2521  
 Division: Banking, Securities and Corporations Date: 7-26-96  
 Approved by Commissioner: William L. Hensley Date: 7-26-96  
 Agency: Commerce and Economic Development

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3/25/96	2867	(S)	PASSED Y19 N- A1
3/25/96	2868	(S)	EFFECTIVE DATE(S) SAME AS PASSAGE
3/25/96	2868	(S)	COURT RULE(S) SAME AS PASSAGE
3/25/96	2886	(S)	TRANSMITTED TO (H)
3/26/96	3361	(H)	READ THE FIRST TIME - REFERRAL(S)
3/26/96	3361	(H)	LABOR AND COMMERCE
4/04/96	3641	(H)	L&C RPT 4DP 1NR
4/04/96	3641	(H)	DP: ROKEBERG, ELTON, PORTER, KOTT
4/04/96	3641	(H)	NR: SANDERS
4/04/96	3641	(H)	SENATE ZERO FISCAL NOTE (DCED) 3/8/96
4/12/96	3711	(H)	RULES TO CALENDAR 4/12/96
4/12/96	3712	(H)	READ THE SECOND TIME
4/12/96	3712	(H)	ADVANCED TO THIRD READING UNAN CONSENT
4/12/96	3712	(H)	READ THE THIRD TIME SB 300
4/12/96	3712	(H)	PASSED Y32 A8
4/12/96	3712	(H)	COURT RULE(S) SAME AS PASSAGE
4/12/96	3712	(H)	EFFECTIVE DATE(S) SAME AS PASSAGE
4/12/96	3713	(H)	RETURN TO (S), TRANSMIT TO GOVERNOR NEXT
4/18/96	3369	(S)	4:10 PM 4/18/96 TRANSMITTED TO GOVERNOR
4/29/96	3707	(S)	ERROR CORRECTION BY LEGAL SERVICES
5/03/96	3857	(S)	SIGNED INTO LAW 5/2 CHAPTER 17 SLA 96
5/03/96	3857	(S)	EFFECTIVE DATE OF LAW 1/1/97

SB 301

CSSB 301(FIN) AM H  
 "An Act relating to postsecondary education; and providing for an effective date."

SPONSOR(S): HEALTH, EDUCATION & SOCIAL SERVICES

CURRENT STATUS: VETOED BY GOVERNOR STATUS DATE: 6/06/96

JRN-DATE	JRN-PG	(S)	ACTION
2/29/96	2599	(S)	READ THE FIRST TIME - REFERRAL(S)
2/29/96	2599	(S)	HES, FINANCE
4/02/96	3011	(S)	HES RPT CS 3DP 1NR 1AM NEW TITLE
4/02/96	3012	(S)	FISCAL NOTES TO CS (DOE-2)
4/02/96	3012	(S)	ZERO FISCAL NOTE TO CS (DOE)
4/19/96	3380	(S)	FIN RPT CS 2DP 4NR NEW TITLE
4/19/96	3380	(S)	FNS TO CS (REV, DOE-3)
4/19/96	3380	(S)	PREVIOUS FM (DOE)
4/22/96	3414	(S)	RULES TO CALENDAR & 1NR 4/22/96
4/22/96	3415	(S)	READ THE SECOND TIME
4/22/96	3415	(S)	FIN CS ADOPTED UNAN CONSENT
4/22/96	3415	(S)	AM NO 1 ADOPTED UNAN CONSENT
4/22/96	3416	(S)	ADVANCE TO THIRD READING FAILED Y12 N8
4/22/96	3416	(S)	THIRD READING 4/23 CALENDAR
4/23/96	3457	(S)	READ THE THIRD TIME CSSB 301(FIN) AM
4/23/96	3457	(S)	RETURN TO SECOND FOR AM 2 Y15 N5
4/23/96	3457	(S)	AM NO 2 FAILED Y9 N11
4/23/96	3476	(S)	AUTOMATICALLY IN THIRD READING
4/23/96	3476	(S)	PASSED Y16 N4
4/23/96	3476	(S)	EFFECTIVE DATE(S) SAME AS PASSAGE
4/23/96	3476	(S)	SALO NOTICE OF RECONSIDERATION
4/24/96	3539	(S)	RECONSIDERATION NOT TAKEN UP
4/24/96	3540	(S)	TRANSMITTED TO (H)
4/26/96	4035	(H)	READ THE FIRST TIME - REFERRAL(S)
4/26/96	4035	(H)	FINANCE
4/29/96	4102	(H)	FIN RPT 1DP 4NR 1AM
4/29/96	4102	(H)	DP: KOHRING
4/29/96	4102	(H)	NR: MULDER, MARTIN, PARNELL, THERRIAULT
4/29/96	4102	(H)	AM: BROWN
4/29/96	4102	(H)	ZERO FISCAL NOTE (DOE)
4/29/96	4102	(H)	4 SEN FISCAL NOTES (REV, 3-DOE) 4/19/96
4/29/96	4102	(H)	SENATE FISCAL NOTE #3 (DOE) 4/2/96
5/02/96	4244	(H)	RULES TO CALENDAR 5/02/96
5/02/96	4244	(H)	READ THE SECOND TIME
5/02/96	4245	(H)	AM NO 1 ADOPTED Y36 A4

5/02/96	4249	(H)	AM NO 2 - FAILED Y14 N23 A3
5/02/96	4267	(H)	AM NO 3 - FAILED Y14 N25 A1
5/02/96	4268	(H)	AM NO 4 - FAILED Y17 N22 A1
5/02/96	4270	(H)	ADVANCE TO 3RD RDG PLD Y26 N14
5/02/96	4270	(H)	ADVANCED TO THIRD READING 5/03 CALENDAR
5/03/96	4314	(H)	READ THE THIRD TIME CSSB 301(FIN) AM H
5/03/96	4314	(H)	FAILED PASSAGE Y20 N11 A9
5/03/96	4314	(H)	MULDER NOTICE OF RECONSIDERATION
5/04/96	4345	(H)	RECON TAKEN UP - IN THIRD READING
5/04/96	4346	(H)	PASSED ON RECONSIDERATION Y26 N14
5/04/96	4346	(H)	EFFECTIVE DATE PASSED Y27 N13
5/04/96	4383	(H)	TRANSMITTED TO (S) AS AMENDED
5/05/96	3963	(S)	CONCUR AM OF (H) Y18 N- A2
5/05/96	3967	(S)	EFFECTIVE DATE(S) SAME AS PASSAGE
10/16/96	4346	(S)	5:15 PM 5/20/96 TRANSMITTED TO GOVERNOR
10/16/96	4347	(S)	MANIFEST ERROR
10/16/96	4385	(S)	VETOED BY GOVERNOR 6/6/96

SB 302

"An Act relating to prorating the amount available for distribution to municipalities from the municipal assistance fund; and providing for an effective date."

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

CURRENT STATUS: (S) FIN STATUS DATE: 3/08/96

JRN-DATE	JRN-PG	(S)	ACTION
3/08/96	2658	(S)	READ THE FIRST TIME - REFERRAL(S)
3/08/96	2658	(S)	FINANCE

SB 303

CSSB 303(FIN)  
 "An Act relating to management of the budget reserve fund; and providing for an effective date."

SPONSOR(S): FINANCE

CURRENT STATUS: CHAPTER 41 SLA 96 STATUS DATE: 5/24/96

JRN-DATE	JRN-PG	(S)	ACTION
3/08/96	2658	(S)	READ THE FIRST TIME - REFERRAL(S)
3/08/96	2658	(S)	FINANCE
4/23/96	3446	(S)	FIN RPT CS 5DP 2NR SAME TITLE
4/24/96	3487	(S)	ZERO FISCAL NOTE (REV)
4/24/96	3492	(S)	RULES TO CALENDAR 4/24/96
4/24/96	3526	(S)	READ THE SECOND TIME
4/24/96	3526	(S)	FIN CS ADOPTED UNAN CONSENT
4/24/96	3527	(S)	ADVANCED TO THIRD READING UNAN CONSENT
4/24/96	3527	(S)	READ THE THIRD TIME CSSB 303(FIN)
4/24/96	3527	(S)	PASSED Y19 N1
4/24/96	3527	(S)	EFFECTIVE DATE(S) SAME AS PASSAGE
4/24/96	3527	(S)	DUNCAN NOTICE OF RECONSIDERATION
4/25/96	3579	(S)	RECONSIDERATION NOT TAKEN UP
4/25/96	3581	(S)	TRANSMITTED TO (H)
4/26/96	4035	(H)	READ THE FIRST TIME - REFERRAL(S)
4/26/96	4035	(H)	FINANCE
4/29/96	4103	(H)	FIN RPT 8DP
4/29/96	4103	(H)	DP: FOSTER, HANLEY, PARNELL, KOHRING
4/29/96	4103	(H)	DP: GRUSSENDORF, NAVARRE, KELLY
4/29/96	4103	(H)	DP: THERRIAULT
4/29/96	4103	(H)	SENATE ZERO FISCAL NOTE (REV) 4/23/96
5/02/96	4270	(H)	RULES TO CALENDAR 5/02/96
5/02/96	4270	(H)	READ THE SECOND TIME
5/02/96	4271	(H)	ADVANCED TO THIRD READING UNAN CONSENT
5/02/96	4271	(H)	READ THE THIRD TIME CSSB 303(FIN)

**SB**

**305**

# FISCAL NOTE

F

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. SB 305

Revision Date: \_\_\_\_\_  
Title: An Act relating to the regulation of accountants;....

Department: Commerce and Economic Development  
BRU: Occupational Licensing  
Component: Operations

Sponsor: Senate Labor & Commerce  
Requestor: Senate Labor & Commerce

COMPONENT SERIAL NO. 1844

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES						
--------------------	--	--	--	--	--	--

**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other 1091 Designated PR						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: \$ 0.0

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

SB 305 makes a number of amendments to the public accountancy statutes, AS 08.04 providing for reciprocity with other licensing jurisdictions, recognition of Limited Liability Companies, and changes to the requirements for education and experience. New funds are not required to implement this bill.

Prepared by: Jennifer Strickler, Administrative Officer  
Division: Occupational Licensing  
Approved by Commissioner: William L. Hensley  
Agency: Commerce and Economic Development

Phone: 485-2144  
Date: March 19, 1996  
Date: 3/19/96

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STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
BILL ANALYSIS

MAR 18 1996

<b>Board Name</b> PUBLIC ACCOUNTANCY	<b>BILL NUMBER</b> SB 305	<b>SPONSOR</b> SENATE L&C/SEN KELLY
<b>SHORT TITLE OF BILL</b> AN ACT RELATING TO THE REGULATION OF ACCOUNTANTS AND AMENDING EFF DATE FOR SEC 6, CH 62, SLA91		
<b>Board POSITION</b> BOARD UNANIMOUSLY ENDORSED AND SUPPORTS; ON THE RECORD DURING JAN 25, 1996 MEETING SESSION		
<b>PREPARED BY</b> CHARLES GRIFFIN, CHAIRMAN	<b>DATE</b> 3/18/96	

**SUMMARY**

<b>OTHER AGENCIES AFFECTED BY BILL</b> NONE	<b>CONSTITUENT GROUPS AFFECTED BY BILL</b> COLLEGE GRADUATES ENTERING PROFESSION FIRMS WHICH HIRE GRADUATES FIRMS WISHING TO ORGANIZE AS LLCs
<b>ORGANIZATIONAL SUPPORT FOR BILL</b> ALL CONSTITUENCIES SUPPORT (BILL PER REQUEST)	<b>ORGANIZATIONAL OPPOSITION TO BILL</b> NONE
<b>FISCAL IMPACT:</b> <input checked="" type="checkbox"/> NONE <input type="checkbox"/> FISCAL NOTE ATTACHED	

**BACKGROUND/LEGISLATIVE HISTORY**

1. DEFER 150 HOUR EDUCATION REQUIREMENT UNTIL 1/1/2001 AND GRANDFATHER APPLICANTS WHO GRADUATE BEFORE 1/1/01; DEFERS 9/1/97 EFFECTIVE DATE AND PROVIDES TRANSITION.
2. ENABLE BOARD TO RECOGNIZE AND PERMIT FIRMS ORGANIZED AS LIMITED LIABILITY COMPANIES; NO CURRENT AUTHORITY IN STATUTE; PROVISIONS ADVISED BY OUR AAG COUNSEL.
3. ENABLE THE BOARD TO ADOPT A LIMITED FORM OF RECIPROCITY FOR LICENSING APPLICANTS WHO ARE LICENSEES IN ANOTHER JURISDICTION; A FIVE IN TEN PROVISION.

**ANALYSIS OF BILL/PROGRAM EFFECTS**

1. THE 150 HOUR EDUCATION REQUIREMENT DEFERRAL UNTIL 1/1/2001 AND THE GRANDFATHER PROVISION WILL ENABLE CURRENT GRADUATES AND STUDENTS WHO GRADUATE PRIOR TO THAT DATE TO CONTINUE TO ENTER THE PROFESSION WITHOUT HAVING A FIFTH YEAR OF COLLEGE. IT WILL ALLOW THE BOARD TO LICENSE FUTURE APPLICANTS WHO MEET TODAY'S REQUIREMENTS AND ENABLE FIRMS TO HIRE/TRAIN/RETAIN EMPLOYEES WHO MAY BECOME LICENSED.
2. THE LLC RECOGNITION FOR FIRM PERMIT PURPOSES WILL ENABLE THE BOARD TO PERFORM ITS LICENSING FUNCTION IN AN EXPEDITIOUS MANNER. CURRENTLY WE MUST SEEK DEPT OF LAW ADVICE FOR EVERY SUCH APPLICATION FOR FIRM PERMIT. WE HAVE BEEN IN THIS POSITION SINCE THE ENACTMENT OF ALASKA'S LLC STATUTES (AND, AS I UNDERSTAND, THE AELS BOARD IS IN A SIMILAR SITUATION).
3. THE PROVISION FOR RECIPROCITY WILL ALSO ENABLE THE BOARD TO MORE EXPEDITIOUSLY LICENSE APPLICANTS WHO POSSESS CURRENT LICENSES AND RECENT EXPERIENCE IN PUBLIC ACCOUNTING OBTAINED IN ANOTHER STATE. PROFESSIONALS ARE MOBILE AND MOVE TO ALASKA TO WORK IN ALASKAN FIRMS.

**AMENDMENTS PROPOSED**

1. BILL SEC 1/AS 08.04.195(a)(1) WILL BE AMENDED TO READ "PASSED THE UNIFORM CERTIFIED PUBLIC ACCOUNTANT EXAMINATION..."
  2. BILL SEC 22/AS 08.04.120(b) WILL BE AMENDED TO READ "...RECEIVED A BACCALAUREATE DEGREE, OR ITS EQUIVALENT BEFORE JANUARY 1, 2001,..."
- THESE TWO AMENDMENTS SHOULD BE ADOPTED ON 3/19/96 DURING HEARING/TELECONFERENCE CONDUCTED BY SENATE LABOR & COMMERCE COMMITTEE.

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS

Proposed 1996 Amendments to Alaska's Accountancy Statute  
Rationale for Change

JAN 22 1996

The Alaska Board of Accountancy, the Alaska Society of Certified Public Accountants, faculty from both the University of Alaska Anchorage and the University of Alaska Fairbanks and other interested parties have jointly drafted and endorse this proposed legislation. All parties agree that the proposed changes will protect the public interest while maintaining a dynamic, competitive and efficacious public accounting profession. The proposed changes are limited to three areas where altered conditions require adjustment. This proposed legislation does not result in radical change to our accountancy statute and no such sweeping change is recommended by the drafting parties.

Change is proposed in the following areas:

- I) the education requirement for licensure as a Certified Public Accountant.
- II) the applicability of the Limited Liability Company statute to public accounting practice units.
- III) reciprocity for Certified Public Accountants moving into Alaska from another domestic jurisdiction.

Herein, we present the rationale for each of these proposed changes to Alaska's Accountancy Statute.

Distributed  
by Sen.  
Tim Kelly

## I) The Educational Requirement -

In 1991, the Accountancy Statute was amended to require completion of 150 semester credit hours to meet the educational requirement for licensure as a certified public accountant. The effective date of this requirement is September 1, 1997. Both the Alaska Board of Accountancy and the Alaska Society of Certified Public Accountants were active supporters of this increased educational requirement as the 1991 legislation was debated. As the technical requirements of generally accepted accounting principles and generally accepted auditing standards have expanded over the last twenty-five years, and as technology and communications of our business society have similarly expanded, the accounting profession has recognized the need to improve and lengthen educational requirements. The Model Accountancy Act of the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA) includes a 150 hour educational requirement. Additionally, the AICPA by-laws require such an educational requirement for AICPA membership after the year 2000. We have not wavered in our support for the 150 hour requirement. We are proposing, however, to delay the effective date until January 1, 2001. Several factors have contributed to this proposal to delay the effective date.

The original 1991 draft legislation proposed an effective date after the year 2000. A later effective date would have correlated better with the AICPA membership requirements and would have allowed our educational institutions more time to plan and initiate 150 hour credit programs. The 1991 legislation was amended to move the effective date up to 1997. While we continued to support the amended legislation, all parties in the professional accounting community realized the difficulties inherent in the establishment of the earlier effective date. Our educational institutions have established curriculum planning and approval processes which require significant lead time. Additionally, prospective CPA applicants must work a minimum of two years after completion of their educational programs to fulfill experience requirements. Our educational institutions needed to have 150 hour programs approved and in operation for the 1994/95 academic year to comply with the 1997 effective date. Unfortunately, the programs could not be implemented so rapidly. The 150 hour MBA with Accounting concentration became operational at UAF this academic year and the UAA 150 hour program is only now in the final planning stages. It does seem unfair to potential CPA applicants to require the 150 credit hours for licensure when the programs are just being established at our educational institutions. Additionally, there has been significant confusion with regard to the implementation of the 1997 requirement. Many members of the professional accounting community, recognizing the time

required for our educational institutions to implement formal programs, believed the State Board of Accountancy would pass a transition regulation to ease into the increased educational requirement. Such a transition rule might have allowed applicants who received a baccalaureate degree prior to September 1997 to be certified without meeting the 150 credit requirement during a transition period of two or three years. However, the Board has been advised that such a transition period cannot be made available through regulation. The 1997 date is enacted in legislation. The office of the Attorney General advises that the legislative date cannot be altered through regulation by the Board of Accountancy.

A significant number of accounting students throughout our state believe they are being treated unfairly with the 1997 effective date. They argue that they were advised to expect a transition regulation and that the 1997 date would not apply to them provided they completed their undergraduate degree before September, 1997. They also argue that, even now, 150 hour programs are not in place and functioning at all the educational institutions of our state.

Additionally, as the statute presently reads any CPA licensed in another jurisdiction who applies for a license in Alaska after September 1, 1997 will have to meet the 150 hour education requirement. The present law does not allow any other means of licensing a CPA from another state (see proposed changes for reciprocity). This was not the intent of the 150 hour provision. The vast majority of CPA's licensed in other states will not have the 150 hours of education and will not be eligible to practice in Alaska.

This proposed change would alleviate all of these concerns. If Alaska revises the effective date of the 150 hour requirement to January 1, 2001 we will exactly agree with the effective date of the AICPA By-Law change and allow our educational institutions three additional years to initiate formal programs. The extra years would give the program already implemented at UAF time to establish a track record and allow UAA sufficient time to have their proposed program approved and implemented.

The second proposed change to Section 8.04.120 (a) (1) would allow either a baccalaureate degree with additional semester hours or post graduate study hours to meet the 150 hour requirement. (A technical change from the word "of" to "or.") Again, this was the original intent but subsequent interpretations have stated that the statute requires post graduate hours. It is believed that this change would ease applicants understanding of this provision and alleviate some future problems for the Board.

The third part of the educational proposal (new Section 8.04.120 (b) )gives the Board of Accountancy the authority to establish a transition period when the new requirement becomes effective in 2001. We expect the necessary educational programs to be operational for a significant period prior to 2001 and do not foresee the necessity of enacting a transition regulation when the increased educational requirement becomes effective. However, we believe that the Board should have the flexibility to respond to environmental conditions that might exist as the new requirement becomes effective. The proposed Sec 08.04.120 (b) would give the Board of Accountancy the flexibility to react to such unforeseen circumstance without seeking statutory relief.

## II) Limited Liability Company Statute -

In 1992, the Alaska legislature enacted statute allowing for the establishment of limited liability companies in Alaska. Since that time, various professional entities have organized as limited liability companies. Certified Public Accounting practice units, however, have been unable to organize as limited liability companies because the form of entity is governed under the Alaska Accountancy statute which has not been revised to recognize this new form of organizational structure. The legislature has already determined the acceptability of this form of organizational structure with the passage of legislation allowing formation of the limited liability company type of entity. We feel that Certified Public Accounting practice units should be granted the opportunity to organize in this manner just as other professional organizations.

The statutes will need to be amended throughout wherever corporations and partnerships are discussed as acceptable forms of accounting entities.

### III) Reciprocity -

There are 54 separate accounting jurisdictions in the United States. Each jurisdiction requires potential Certified Public Accountant applicants to pass the national CPA exam, but experience and educational requirements differ significantly among states. Currently, the Board of Accountancy must apply the same certification requirements to an established CPA moving into Alaska as they are applied to a new applicant just beginning a public accounting career. The Board has in some instances not been able to grant a reciprocal license to a relocating CPA because the rules under which he or she was initially certified differ slightly from Alaska. On other occasions obtaining the documentary evidence to satisfy Alaska's requirements has been difficult to obtain due to the passage of time, lack of any physical records at the prior employer or due to the fact that the prior employing firm no longer exists. Documentary evidence on file in the applicants prior jurisdiction does not always comply with Alaska's requirements due to the differing statutory requirements and regulations. Other State Boards of Accountancy experience similar problems in granting reciprocity.

As a result, the AICPA/NASBA model act adopts the 5/10 interstate reciprocity provision which is proposed in this legislation. An established CPA who has worked in public accounting for five of the preceding ten years would be granted a reciprocal certificate in Alaska without regard to Alaska's requirements. This proposal would significantly lessen the Board's work in granting the license. We do not feel that the public interest is threatened. This individual has already completed at least five years in public accounting practice. Our entry requirements are designed to ensure that the newly licensed CPA possesses the necessary technical competence and experience to practice public accounting. An individual who has already served five or more years as a CPA in public practice has proven the necessary technical competence and experience. We feel the public interest in Alaska is best served by allowing experienced CPA's to relocate to Alaska with a minimum amount of regulatory oversight.

f:\wksadmin\CPA\RATIONAL.DOC

## CHARLES R. GRIFFIN

CERTIFIED PUBLIC ACCOUNTANT

P.O. BOX 670 • PALMER, ALASKA 99645  
TELEPHONE (907) 745-3239

March 18, 1996  
VIA FAX 907-465-3756

Senator Tim Kelly, Chairman  
Senate Labor & Commerce Committee  
Alaska State Legislature  
State Capitol, Room 101  
Juneau, Alaska 99801-1182

Dear Chairman Kelly:

Thank you! - the Alaska State Board of Public Accountancy sincerely appreciates your efforts in introducing SB 305. This bill, amending our Accountancy Act, contains provisions for only three changes and was unanimously endorsed and supported by our Board on January 25, 1996.

The three amendments include:

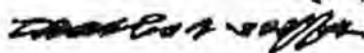
1. Sections 22 and 23 of the bill provide for deferral of the 150 hour education requirement until January 1, 2001, and the "grandfathering" of degrees obtained prior to that date. We seek this change to accommodate the current students and graduates of both UAA and UAF who feel that the September 1, 1997, effective date and lack of a transitional rule is causing them an undue hardship.

2. Sections 2 through 21 of the bill provide for statutory authority so that the Board may recognize the limited liability company form of practice unit for the purpose of issuing permits to accounting firms. Absent this provision we are unable to even permit limited liability companies organized under the Alaska Act which became effective July 1, 1995.

3. Section 1 of the bill provides for permissive licensure through reciprocity and would enable our Board to recognize an applicant's credentials based upon both current good standing and recent experience in another jurisdiction. This "five in ten" provision could enable the Board, where appropriate, to license an active practicing CPA moving to Alaska in a manner much more efficient than we do now in requiring application and complete documentation.

I look forward to participating in tomorrow's teleconference and again express the Board's appreciation for your time and efforts in getting this legislation introduced.

Very truly yours,



Charles R. Griffin, C.P.A., Chairman  
Alaska State Board of Public Accountancy



# UNIVERSITY OF ALASKA ANCHORAGE

3211 Providence Drive  
Anchorage, Alaska 99508-8244

March 18, 1996

SCHOOL OF BUSINESS  
(907) 786-4100  
FAX (907) 786-4119

Senator Tim Kelly  
Capital Building  
Room 101  
Juneau, Alaska 99801

Dear Senator Kelly:

On behalf of the faculty of the University of Alaska Anchorage School of Business, we would like to thank you and your staff for introducing SB 305. We feel that the changes incorporated into SB 305 will have a significant effect on the CPA profession and on students preparing to enter the profession.

The UAA School of Business supports the three areas of change in the accountancy statute. The extension of the 150 hour education requirement to January 1, 2001 will give the Board of Accountancy the authority to establish a transition period for accounting students entering the profession. This is of particular concern to us as we work with and advise our accounting students on the career opportunities and requirements relating to the profession.

The second change dealing with reciprocity would ease the administrative burden on the Alaska State Board of Accountancy and allow experienced CPAs to relocate to Alaska with a minimum amount of regulatory oversight.

The third change in the accountancy statute allowing certified public accounting practice units to organize as limited liability companies, will allow CPA firms the same organizational alternatives already available to other professional organizations in Alaska.

We would like to thank you for introducing SB 305 and for your continued support.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Hayden Green".

G. Hayden Green, Ph.D.  
Interim Dean

A handwritten signature in black ink, appearing to read "Robert C. Maloney".

Robert C. Maloney, MBA, CPA  
Department Chair, Accounting


A DIVISION OF THE UNIVERSITY OF ALASKA STATEWIDE SYSTEM OF HIGHER EDUCATION

UNIVERSITY OF ALASKA FAIRBANKS**School of Management**

Department of Accounting and Information Systems  
PO Box 756080  
Fairbanks, Alaska 99775-6080

March 18, 1996

To: Senator Tim Kelly  
Senate Labor and Commerce Committee

From: E. Thomas Robinson, Associate Professor  


RE: Senate Bill 305

I am a senior faculty member of the Accounting and Information Systems department of the School of Management at the University of Alaska Fairbanks. I also serve as co-chair (along with Lynn Koshiyama from the University of Alaska Anchorage) of the Relations with Higher Education Committee for the Alaska Society of Certified Public Accountants. Our committee along with students and accounting faculty from the University, actively participated in the decision to request an extension of the effective date of the one hundred fifty hour requirement for becoming a certified public accountant in the State of Alaska.

This memo serves to document the University of Alaska's accounting faculty support for the extension of the effective date of the one hundred fifty hour requirement for Certified Public Accountants. We hope that your committee will act favorably and expeditiously in the passage of Senate Bill 305.



UNIVERSITY OF ALASKA FAIRBANKS

DIVISION OF OCCUPATIONAL LICENSING RECEIVED

95 APR 12 PM 1:30

School of Management

Department of Accounting and Information Systems  
PO Box 756080  
Fairbanks, Alaska 99775-6080

April 10, 1995

JUL - 9 1995

Chuck Griffin, CPA  
Chair, Alaska Accounting Board of Public Accountancy  
State of Alaska  
Department of Commerce and Economic Development  
Division of Occupational Licensing  
Board of Public Accountancy  
PO Box 110806  
Juneau, AK 99811-0806

Dear Mr. Griffin:

The below signed students in UAF's Accounting program and Great Alaska Accounting People (GAAP) members encourage the ASCPA's consideration of the following issue and our proposal.

According to revised section 08.04.120 of the Alaska Accountancy statute, effective September 1, 1997, all persons wishing to become a CPA in Alaska will be required to complete 150 credit hours. We believe these requirements will unfairly impact recent graduates and those students currently enrolled in the Accounting Program. It appears that when the law was written there was an oversight regarding CPA candidates who have earned an undergraduate degree but have not yet fulfilled the experience requirement. The impact of the new rules extends beyond students currently enrolled in the Accounting Program. Public accounting firms will find it risky to hire recent graduates because they run a greater chance of not qualifying for certification in Alaska. While smaller firms are likely to be disproportionately impacted, all firms are sensitive to high costs of employee turnover. Without some transition rule firms will either face higher training costs or a smaller pool of job candidates.

A secondary concern is the increased pressure on students holding undergraduate degrees in accounting who have not yet passed the CPA exam. This appears to put an unintended risk on them that failure to pass the exam by May 1997 will result in their having to satisfy the higher educational requirement at tremendous personal cost. This would impose a cost that many will not be able to bear.

The issuance of a transition rule would give candidates with baccalaureate degrees awarded prior to September 1997 a reasonable period of time to fulfill the experience requirement and pass the CPA exam without being subjected to the revised education requirement. We propose the following transition regulation for the Board's consideration.

Applicants completing baccalaureate degrees before September 1997 will fall under the education requirements in effect on the date of their graduation until September 1, 1999. After September 1, 1999, the revised requirements of 08.04.120 will apply to all applicants for certification.

JUL - 9 1995

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Name

Affiliation

'95 APR 12 PM 1 30

Christina Cranglines GAAP member / UAF Accounting Student

Christina Cranglines GAAP member / UAF Accounting Student

Christina Cranglines GAAP member / UAF Accounting Student

Marilyn Kendall Marilyn Kendall GAAP member & accounting student

Joan H. Fiorenzi Joan H. Fiorenzi GAAP member / acctg student

Tuleo Nussbaum Tuleo Nussbaum GAAP member / Accounting student

Allen Nussbaum Allen Nussbaum GAAP member / Accounting student

Heizel Lim GAAP member / Acct. student

Christina M. Hillman CHRISTINA M. HILLMAN GAAP member / UAF Accounting Student

Jennie D. Dowell Jennie D. Dowell GAAP member + UAF Acct. Student

Augustina Luman GAAP president

Patricia Nantz GAAP secretary

Steve Exler Steve Exler GAAP member / Accounting Student

Margarita Bell Margarita Bell UAF Accounting Student

ALASKA STATE BOARD OF  
PUBLIC ACCOUNTANCY  
MINUTES OF MEETING  
JANUARY 25-26, 1996

DRAFT

Agenda Items 9,  
8, and 6  
(THURS JAN 25 AM)

ASCPA Proposed Legislation

Mike Kelliher submitted the society's proposed legislation asking the Board for their comments and support. (Final Draft attached.)

The proposed legislation addressed the following issues:

- AS 08.04.120 would delay the effective date of the 150-hour education requirement to January 1, 2001, and grandfather baccalaureate degrees conferred prior to January 1, 2001.

The Board supported this change.

- AS 08.04.240 would add Limited Liability Companies (LLC) to the statute giving the Board authority to register and permit these entities. It was noted that all other statutes that reference partnerships and corporations would also be amended to include LLCs.

Mr. Truitt confirmed that LLC firm provisions must be statutory.

The Board supported this change with the intent that LLCs meet all applicable requirements that corporations currently must meet as outlined in AS 08.04.240(b)(1) through (6).

- AS 08.04.195 (new), Interjurisdiction Reciprocity, would allow a CPA from another jurisdiction to obtain an Alaska certificate on passage of the Uniform CPA exam and five years of practice experience outside of Alaska within the last ten years.

The Board supported this change conceptually. Mr. Kelliher and Mr. Truitt agreed to redraft the proposed legislation addressing the Board's concerns.

Agenda Items 9,  
8, and 6  
(THURS JAN 25 AM)

ASCPA Proposed Legislation

Mr. Kelliher submitted a redraft of the proposed legislation as agreed.

After review and a motion by Nelson, seconded by Ogle and carried unanimously, it was

RESOLVED to endorse and support the legislative package and rationale as submitted by the ASCPA with the intent that the term LLC be added to the accountancy act in all other applicable areas.

DRAFT



ALASKA SOCIETY OF CPAs  
141 W. TUDOR #103  
ANCHORAGE, AK 99503  
(907) 562-4424  
800-478-4134  
FAX (907) 562-4023

March 18, 1996

Senator Tim Kelly  
Capital Building  
Room 101  
Juneau, Alaska 99801

Dear Senator Kelly:

On behalf of the Alaska Society of Certified Public Accountants, Inc., we would like to thank you and your staff for introducing SB 305. As representatives of our profession we feel that although the changes are technical in nature they will have a significant effect on the profession.

The Alaska Society of CPAs supports the three areas of change in the accountancy statute. The extension of the 150 hour education requirement to January 1, 2001 will give the Board of Accountancy the authority to establish a transition period for accounting students entering the profession.

The second change dealing with reciprocity would ease the administrative burden on the Alaska State Board of Accountancy and allow experienced CPAs to relocate to Alaska with a minimum amount of regulatory oversight.

Finally, the change in the accountancy statute allowing certified public accounting practice units to organize as limited liability companies, will allow CPA firms the same organizational alternatives already available to other professional organizations in Alaska. Again, we would like to thank you for introducing SB 305 and offer any further assistance. Please do not hesitate to contact me or Mike Kelliher if you need further support.

Sincerely,

Tom Bartlett, CPA  
ASCPA President

Michael Kelliher, CPA  
Legislative Chairman

**S B**

**3 1 6**

# FISCAL NOTE

No. 1  
 Bill Version: SB 316  
 (S) Publish Date: 4/10/96

STATE OF ALASKA  
 1996 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department: Commerce and Economic Development  
 Title: Health Insurance Nomenclature BRU: Insurance  
 Component: Operations  
 Sponsor: Senate Labor & Commerce Committee  
 Requestor: Senate Labor & Commerce Committee COMPONENT SERIAL NO. \_\_\_\_\_ #354

(Thousands of Dollars)

Expenditures/Revenues	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
<b>OPERATING EXPENDITURES</b>						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
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(Thousands of Dollars)

FUND SOURCE	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: \$ 0.0

**POSITIONS**

	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)  
 No fiscal impact.

Prepared by: Joan Brown, Administrative Officer Phone: 465-2597  
 Division: Insurance Date: 4/9/96  
 Approved by Commissioner: William L. Hensley Date: 4-10-96  
 Agency: Commerce and Economic Development

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 Page 1 of 1

Back in the 60s when the insurance statutes came into existence, the term disability was commonly used to describe health insurance coverages. In the 90s the common usage of the term disability refers not to health insurance as we think of it today, but to loss of income or disability income insurance. The use of the word disability to mean health insurance has been a confusing term for everyone. Several pieces of health insurance legislation over the years have referenced that "health insurance includes disability insurance" when according to the insurance statutes "disability" insurance is defined to include "health" insurance. The public and other state governments have had this same confusion. Correcting this confusion is the reason for SB 316.

SB 316 would merely change the term "disability" to "health" to better reflect the type of insurance that is being regulated. Health insurance in this case would include disability income insurance not the other way around. Both health insurance and disability income insurance are clearly defined in the bill. SB 316 is not intended to do anything other than correct this misnomer. The statutes will remain exactly the same as to their regulatory effect.