

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 00/2

9519 SENATE HEALTH EDUCATION & SOCIAL SERVICES 156

Revision Date: _____ Dept. Affected: Revenue
 Title: Approve Centralized Public Health Lab BRU: Revenue Operations
 Component: Treasury
 Sponsor: (S) RLS
 Requestor: (S) HES COMPONENT SERIAL NO. 121

Expenditures/Revenues:

(Thousands of Dollars)

| OPERATING EXPENDITURES | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|------------------------------|------------|----------------|----------------|----------------|----------------|----------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS-Lease Payments | | 2,378.3 | 2,381.3 | 2,379.2 | 2,380.2 | 2,381.2 |
| TOTAL OPERATING | 0.0 | 2,378.3 | 2,381.3 | 2,379.2 | 2,380.2 | 2,381.2 |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

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

FUND SOURCE

(Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|----------------|----------------|----------------|----------------|----------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | 2,378.3 | 2,381.3 | 2,379.2 | 2,380.2 | 2,381.2 |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other | | | | | | |
| TOTAL | 0.0 | 2,378.3 | 2,381.3 | 2,379.2 | 2,380.2 | 2,381.2 |

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS:

Authorizes a lease-purchase agreement for up to \$18,440,000 for a centralized public health lab facility with anticipated annual rent of \$2,420,000 and total rent of \$24,130,000. Bond counsel suggests that the sentence beginning in line 6 of the proposed bill be amended to read: "The State Bond Committee is authorized to provide for the issuance of certificates of participation for, and the Department of Administration is authorized to enter into, a lease purchase agreement for a centralized public laboratory facility to be constructed under the lease-purchase agreement and to be operated by the Department of Health and Social Services." The lease payments shown above are projected at current interest rates over ten years for \$18,440,000 and assume rental payments begin on 8-1-98. These payments are within the amounts anticipated in the proposed bill. If, however, interest rates are projected at current rates plus 75 basis points (.75%/year), the rental payments are projected to exceed the amounts anticipated in the proposed bill. In that event, the amount financed and available for project costs would have to be reduced by approximately \$410,000.

Prepared by: Forrest R. Browne Phone: 465-3750
 Division: Treasury Date: January 24, 1997
 Approved by Commissioner: Ross A. Kinney *Ross A. Kinney* Date: January 24, 1997
 Agency: Revenue

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Dated: 2/1/98
 Delivered: 2/1/98

**Sizing Debt Services Schedule
 H&SS Centralized Lab
 Current Interest Rates**

| Fiscal Yr | Coupon MYY | Zer Date | Coupon Cpn | Coupon Rate | Maturing Principal | Periodic Interest | Gross Semi-Annl Dbt Svc | Capitalized Interest | Debt Svc Rsv Int & Prin | Cntgncy Fnd Int & Prin | Net Semi-Annl Dbt Svc | Net Fiscal Dbt Svc |
|-----------|------------|----------|------------|-------------|--------------------|----------------------|-------------------------|----------------------|-------------------------|------------------------|-----------------------|----------------------|
| 2 | 99 | 8/1/98 | | | | 439,126.25 | 439,126.25 | | | | 439,126.25 | |
| 8 | 99 | 2/1/99 | N | 3.800 | 1,500,000.00 | 439,126.25 | 1,939,126.25 | | | | 1,939,126.25 | 2,378,252.50 |
| 1 | 2 | 0 | 8/1/99 | | | 410,626.25 | 410,626.25 | | | | 410,626.25 | |
| 8 | 0 | 2/1/00 | N | 4.300 | 1,560,000.00 | 410,626.25 | 1,970,626.25 | | | | 1,970,626.25 | 2,381,252.50 |
| 2 | 2 | 1 | 8/1/00 | | | 377,086.25 | 377,086.25 | | | | 377,086.25 | |
| 8 | 1 | 2/1/01 | N | 4.550 | 1,625,000.00 | 377,086.25 | 2,002,086.25 | | | | 2,002,086.25 | 2,379,172.50 |
| 3 | 2 | 2 | 8/1/01 | | | 340,117.50 | 340,117.50 | | | | 340,117.50 | |
| 8 | 2 | 2/1/02 | N | 4.650 | 1,700,000.00 | 340,117.50 | 2,040,117.50 | | | | 2,040,117.50 | 2,380,235.00 |
| 4 | 2 | 3 | 8/1/02 | | | 300,592.50 | 300,592.50 | | | | 300,592.50 | |
| 8 | 3 | 2/1/03 | N | 4.750 | 1,780,000.00 | 300,592.50 | 2,080,592.50 | | | | 2,080,592.50 | 2,381,185.00 |
| 5 | 2 | 4 | 8/1/03 | | | 258,317.50 | 258,317.50 | | | | 258,317.50 | |
| 8 | 4 | 2/1/04 | N | 4.850 | 1,865,000.00 | 258,317.50 | 2,123,317.50 | | | | 2,123,317.50 | 2,381,635.00 |
| 6 | 2 | 5 | 8/1/04 | | | 213,091.25 | 213,091.25 | | | | 213,091.25 | |
| 8 | 5 | 2/1/05 | N | 4.950 | 1,955,000.00 | 213,091.25 | 2,168,091.25 | | | | 2,168,091.25 | 2,381,182.50 |
| 7 | 2 | 6 | 8/1/05 | | | 164,705.00 | 164,705.00 | | | | 164,705.00 | |
| 8 | 6 | 2/1/06 | N | 5.000 | 2,050,000.00 | 164,705.00 | 2,214,705.00 | | | | 2,214,705.00 | 2,379,410.00 |
| 8 | 2 | 7 | 8/1/06 | | | 113,455.00 | 113,455.00 | | | | 113,455.00 | |
| 8 | 7 | 2/1/07 | N | 5.100 | 2,150,000.00 | 113,455.00 | 2,263,455.00 | | | | 2,263,455.00 | 2,376,910.00 |
| 9 | 2 | 8 | 8/1/07 | | | 58,630.00 | 58,630.00 | | | | 58,630.00 | |
| 8 | 8 | 2/1/08 | N | 5.200 | 2,255,000.00 | 58,630.00 | 2,313,630.00 | | | | 2,313,630.00 | 2,372,260.00 |
| | | | | | | 18,440,000.00 | 5,351,495.00 | 23,791,495.00 | | | 23,791,495.00 | 23,791,495.00 |

True Interest Cost (TIC).....4.9244049
Net Interest Cost (NIC).....4.9381702
Arbitrage Yield Limit (AYL).....4.9244049
Arbitrage Net Interest Cost (ANIC)..... 4.9381702

Prepared by: FORREST R BROWNE, STATE TREAS
 Prepared on: 1/24/97 09:46 8.05 Rpt 14
 Record ID: LAB-1998-P MUNIDB

Dated: 2/1/98
 Delivered: 2/1/98

Sizing Debt Services Schedule
H&SS Centralized Lab
Current Rates +75bp

| Fiscal Yr | Coupon M YY | Zer Date | Coupon Cpn | Coupon Rate | Maturing Principal | Periodic Interest | Gross Semi-Annl Dbt Svc | Capitalized Interest | Debt Svc Rsv Int & Prin | Cntgncy Fnd Int & Prin | Net Semi-Annl Dbt Svc | Net Fiscal Dbt Svc |
|----------------------|-------------|----------|------------|-------------|--------------------|---------------------|-------------------------|----------------------|-------------------------|------------------------|-----------------------|----------------------|
| 2 | 99 | 8/1/98 | | | | 508,971.25 | 508,971.25 | | | | 508,971.25 | |
| 8 | 99 | 2/1/99 | N | 4.550 | 1,450,000.00 | 508,971.25 | 1,958,971.25 | | | | 1,958,971.25 | 2,467,942.50 |
| 1 | 2 | 0 | 8/1/99 | | | 475,983.75 | 475,983.75 | | | | 475,983.75 | |
| 8 | 0 | 2/1/00 | N | 5.050 | 1,515,000.00 | 475,983.75 | 1,990,983.75 | | | | 1,990,983.75 | 2,466,967.50 |
| 2 | 2 | 1 | 8/1/00 | | | 437,730.00 | 437,730.00 | | | | 437,730.00 | |
| 8 | 1 | 2/1/01 | N | 5.300 | 1,590,000.00 | 437,730.00 | 2,027,730.00 | | | | 2,027,730.00 | 2,465,460.00 |
| 3 | 2 | 2 | 8/1/01 | | | 395,595.00 | 395,595.00 | | | | 395,595.00 | |
| 8 | 2 | 2/1/02 | N | 5.400 | 1,675,000.00 | 395,595.00 | 2,070,595.00 | | | | 2,070,595.00 | 2,466,190.00 |
| 4 | 2 | 3 | 8/1/02 | | | 350,370.00 | 350,370.00 | | | | 350,370.00 | |
| 8 | 3 | 2/1/03 | N | 5.500 | 1,765,000.00 | 350,370.00 | 2,115,370.00 | | | | 2,115,370.00 | 2,465,740.00 |
| 5 | 2 | 4 | 8/1/03 | | | 301,832.50 | 301,832.50 | | | | 301,832.50 | |
| 8 | 4 | 2/1/04 | N | 5.600 | 1,865,000.00 | 301,832.50 | 2,166,832.50 | | | | 2,166,832.50 | 2,468,665.00 |
| 6 | 2 | 5 | 8/1/04 | | | 249,612.50 | 249,612.50 | | | | 249,612.50 | |
| 8 | 5 | 2/1/05 | N | 5.700 | 1,970,000.00 | 249,612.50 | 2,219,612.50 | | | | 2,219,612.50 | 2,469,225.00 |
| 7 | 2 | 6 | 8/1/05 | | | 193,467.50 | 193,467.50 | | | | 193,467.50 | |
| 8 | 6 | 2/1/06 | N | 5.750 | 2,080,000.00 | 193,467.50 | 2,273,467.50 | | | | 2,273,467.50 | 2,468,935.00 |
| 8 | 2 | 7 | 8/1/06 | | | 133,667.50 | 133,667.50 | | | | 133,667.50 | |
| 8 | 7 | 2/1/07 | N | 5.850 | 2,200,000.00 | 133,667.50 | 2,333,667.50 | | | | 2,333,667.50 | 2,487,335.00 |
| 9 | 2 | 8 | 8/1/07 | | | 69,317.50 | 69,317.50 | | | | 69,317.50 | |
| 8 | 8 | 2/1/08 | N | 5.950 | 2,330,000.00 | 69,317.50 | 2,399,317.50 | | | | 2,399,317.50 | 2,488,635.00 |
| 18,440,000.00 | | | | | | 6,233,095.00 | 24,673,095.00 | | | | 24,673,095.00 | 24,673,095.00 |

True Interest Cost (TIC).....6,677,048.0
Net Interest Cost (NIC).....6,692,584.1
Arbitrage Yield Limit (AYL).....6,677,048.0
Arbitrage Net Interest Cost (ANIC)..... 6,692,584.1

Prepared by: FORREST R BROWNE, STATE TREAS
 Prepared on: 1/24/97 10:01 8.05 Rpt 14
 Record ID: LAB-1998-R :MUNIDB

Sizing Debt Services Schedule

H&SS Centralized Lab

+75bp & Reduced Cost

Dated: 2/1/98
 Delivered: 2/1/98

| Fiscal Yr | Coupon MYY | Zer Date | Coupon Cpn | Rate | Maturing Principal | Periodic Interest | Gross Semi-Annl Dbt Svc | Capitalized Interest | Debt Svc Rsv Int & Prin | Cntgncy Fnd Int & Prin | Net Semi-Annl Dbt Svc | Net Fiscal Dbt Svc |
|-----------|------------|----------|------------|-------|--------------------|----------------------|-------------------------|----------------------|-------------------------|------------------------|-----------------------|----------------------|
| 2 | 99 | 8/1/98 | | | | 497,678.75 | 497,678.75 | | | | 497,678.75 | |
| 8 | 99 | 2/1/99 | N | 4.550 | 1,415,000.00 | 497,678.75 | 1,912,678.75 | | | | 1,912,678.75 | 2,410,357.50 |
| 1 | 2 | 0 | 8/1/99 | | | 465,487.50 | 465,487.50 | | | | 465,487.50 | |
| 8 | 0 | 2/1/00 | N | 5.050 | 1,480,000.00 | 465,487.50 | 1,945,487.50 | | | | 1,945,487.50 | 2,410,975.00 |
| 2 | 2 | 1 | 8/1/00 | | | 428,117.50 | 428,117.50 | | | | 428,117.50 | |
| 8 | 1 | 2/1/01 | N | 5.300 | 1,555,000.00 | 428,117.50 | 1,983,117.50 | | | | 1,983,117.50 | 2,411,235.00 |
| 3 | 2 | 2 | 8/1/01 | | | 386,910.00 | 386,910.00 | | | | 386,910.00 | |
| 8 | 2 | 2/1/02 | N | 5.400 | 1,640,000.00 | 386,910.00 | 2,026,910.00 | | | | 2,026,910.00 | 2,413,820.00 |
| 4 | 2 | 3 | 8/1/02 | | | 342,630.00 | 342,630.00 | | | | 342,630.00 | |
| 8 | 3 | 2/1/03 | N | 5.500 | 1,725,000.00 | 342,630.00 | 2,067,630.00 | | | | 2,067,630.00 | 2,410,260.00 |
| 5 | 2 | 4 | 8/1/03 | | | 295,192.50 | 295,192.50 | | | | 295,192.50 | |
| 8 | 4 | 2/1/04 | N | 5.600 | 1,820,000.00 | 295,192.50 | 2,115,192.50 | | | | 2,115,192.50 | 2,410,385.00 |
| 6 | 2 | 5 | 8/1/04 | | | 244,232.50 | 244,232.50 | | | | 244,232.50 | |
| 8 | 5 | 2/1/05 | N | 5.700 | 1,925,000.00 | 244,232.50 | 2,169,232.50 | | | | 2,169,232.50 | 2,413,465.00 |
| 7 | 2 | 6 | 8/1/05 | | | 189,370.00 | 189,370.00 | | | | 189,370.00 | |
| 8 | 6 | 2/1/06 | N | 5.750 | 2,035,000.00 | 189,370.00 | 2,224,370.00 | | | | 2,224,370.00 | 2,413,740.00 |
| 8 | 2 | 7 | 8/1/06 | | | 130,863.75 | 130,863.75 | | | | 130,863.75 | |
| 8 | 7 | 2/1/07 | N | 5.850 | 2,155,000.00 | 130,863.75 | 2,285,863.75 | | | | 2,285,863.75 | 2,416,727.50 |
| 9 | 2 | 8 | 8/1/07 | | | 67,830.00 | 67,830.00 | | | | 67,830.00 | |
| 8 | 8 | 2/1/08 | N | 5.950 | 2,280,000.00 | 67,830.00 | 2,347,830.00 | | | | 2,347,830.00 | 2,415,660.00 |
| | | | | | | 18,030,000.00 | 6,096,625.00 | 24,126,625.00 | | | 24,126,625.00 | 24,126,625.00 |

True Interest Cost (TIC).....5.6771947
Net Interest Cost (NIC).....5.6927261
Arbitrage Yield Limit (AYL).....5.6771947
Arbitrage Net Interest Cost (ANIC)..... 5.6927261

Prepared by: FORREST R BROWNE, STATE TREASURY
 Prepared on: 1/24/97 10:34 8.05 Rpt 14
 Record ID: LAB-1998-U :MUNIDB

1997 LEGISLATIVE SESSION

Revision Date: _____

Dept. Affected: Public Safety

Title: Approve Centralized Public Health Lab

DPS Statewide Support

Component: Scientific Crime Detection Laboratory

Sponsor: Rules Committee

Requestor: S. HESS

COMPONENT SERIAL NO. 0527

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

| OPERATING | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | -0- | -0- | -0- | -0- | -0- | -0- |
| CAPITAL EXPENDITURES | -0- | -0- | -0- | -0- | -0- | -0- |
| CHANGE IN REVENUES () | -0- | -0- | -0- | -0- | -0- | -0- |
| Code Revenue | | | | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|--------------------------|-----|-----|-----|-----|-----|-----|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- |

Estimate of current year (FY 97) impact: \$ _____

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)
 No fiscal impact is anticipated to the Department of Public Safety

Prepared By: George Taft, Director

Phone: 269-5687

Division: Scientific Crime Detection Laboratory

Date: 1/29/97

Approved by Commissioner: *Ronald L. Otte*

Date: 1/27/97

Agency: Ronald L. Otte, Dept. of Public Safety

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M E M O R A N D U M

DATE: January 21, 1997

TO: Senator Gary Wilken, Chairman
Senate HESS Committee

FROM: Senator Tim Kelly, Chairman TDK (TB)
Senate Rules Committee

SUBJ: Request For Committee Hearing - SB 51

I would appreciate your scheduling a committee hearing on SB 51, the bill to authorize a lease-purchase arrangement for construction of a centralized public health laboratory. This facility would be located in Anchorage, and be operated by the Department of Health and Social Services.

As you may know, the three existing health labs in Alaska, one each in Juneau, Anchorage, and Fairbanks, suffer from aging and outgrown facilities, and in some cases, OSHA violations. This measure would consolidate the Juneau and Anchorage operations in Anchorage, but not impact the Fairbanks facility.

A similar bill to SB 51 passed the House last session, and was due up on the Senate floor for a final vote at the end, but was never taken up.

A sponsor statement, fiscal note, and other support information will be brought to your office as soon as possible. Department personnel will be available for testimony as well.

If there are questions, please contact Tim Benintendi at 3770.



Official Business

Alaska State Legislature

Senate

Rules Committee

State Capitol
Juneau, AK. 99801-1182

SPONSOR STATEMENT

SENATE BILL 51 - Centralized Health Laboratory

SB 51 would consolidate the state's epidemiology laboratories now located in Juneau and Anchorage, into a new facility centralized in Anchorage. The aged facilities now in operation are not up to prevailing standards of safety and security, posing risks to employees, and potentially affecting the quality and reliability of work performed.

This legislation calls for the state's entry into, and financing of, a lease-purchase agreement for the construction of a new facility. The laboratory would be operated by the Department of Health and Social Services.

Total project costs are not to exceed \$18,440,000. The annual rental obligation would be approximately \$2,420,000, with anticipated eventual payments totaling \$24,130,000. The state would own the facility at the end of the lease.

This legislation passed the House in 1996. A companion bill was introduced this session by the House HESS Committee. Support exists from the Department, and from affected communities. Issues associated with the Fairbanks unit are resolved in that there will be no changes at that facility.

Fiscal notes prepared by HES, DOA, and REV are available for review. If there are questions, please contact Tim Benintendi at 3770.

Anchorage Daily News



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Publisher

Kent Pollock
Editor

Michael Carey, Editorial Page Editor

Gerald E. Grilly, Publisher, 1984-1993
Katherine Fanning, Editor and Publisher, 1971-1983
Lawrence Fanning, Editor and Publisher, 1967-1971
Founded in 1946 by Norman C. Brown

Health lab

The past has crept into the future

When the state says it needs a new public health laboratory, that isn't just the ravings of a bunch of empire-building bureaucrats run amok.

The Anchorage lab, and its counterparts in Juneau and Fairbanks, is what stands between Alaskans and epidemics of human misery both old and new, from tuberculosis to AIDS.

Here, in an unappealing building on a rundown stretch of Fourth Avenue, some of the most important work in Alaska gets done. Yet, visiting the lab is like a trip back to the early days of statehood.

Look closely at the wall at the top of the stairs and you will see where it was patched after the '64 earthquake. In the dingy hallway sits a refrigerator wearing a vivid orange "biohazard" sticker.

The building's ventilation system from 1961 doesn't meet code. Because the bacteriology unit has no independent air system, lab workers know there is always the possibility that they could be infected by bacteria in the recirculated air.

In fact, according to Dr. Gregory Hayes, director of the state Public Health Laboratories, the federal Health Care Financing Administration closed the TB lab last year because it was unsafe. For three months, the lab had to send possible TB specimens to Seattle for testing.

High on one wall in the lab proper, an air vent is covered with a big piece of cardboard and duct tape to keep drafts from blowing out the flames in lab workers' Bunsen burners.

Twice in December the building's old heating system gave out, leaving the lab at around 40 degrees. Because the test for syphilis has to be conducted at a minimum of 73 degrees, no such tests could be made that day.

Only two people can work at the same time in the closet-sized darkroom for fluorescent microscopy where TB and bacteriological smears are examined. Microscopes sit covered with plastic hoods to protect the expensive equipment from the dust that blows in through the air vent and covers the work table.

According to the state Public Health Laboratories Strategic Plan, numerous studies document "significant health and safety risks caused by improper ventilation and poor layout of lab spaces."

Various improvements to the building are planned if and when the Legislature appropriates the money. Legislators shouldn't bother. There is no good reason to throw money into leased space that is hopelessly inadequate.

Instead, they should give serious consideration to consolidating the Anchorage, Fairbanks and Juneau labs to save unnecessary duplication of equipment and support staff. No longer would specimens have to be sent to three different places for different tests.

Legislators should make it a priority to fund the modern, adequately equipped facility that this state clearly needs. Whether the state builds its own or enters into some form of lease-purchase agreement, it should have been done yesterday — if not before.

The New Public Health Laboratory

1

What We Are Proposing

- ▶ New Public Health Laboratory located in Anchorage
- ▶ To include the Medical Examiner's Laboratory and functions of Juneau and Anchorage laboratories
- ▶ Designed and constructed through debt financing (certificates of participation/lease-purchase financing)

2



The unique role of Public Health Laboratories

➤ To assess and control diseases in partnership with private laboratories:



- Performing advanced tests for infectious agents with public health implications
- Analyzing for unusual, exotic, rare, sporadic, or hard to test diseases
- Confirming private laboratory tests with unusual results or difficulties
- Assisting private laboratories with difficulties in identifying microbial agents
- Collecting data for targeted disease control



The unique role of Public Health Labs (cont.)

➤ Specialized in disease surveillance and recognition of new and re-emerging diseases

Can apply critical state of the art technology for rapid testing of large numbers of specimens quickly in face of an epidemic





Examples of how PH Labs benefit the public

- Epidemic gastroenteritis and contamination of king crab—Dutch Harbor 1991
- Epidemic Gastroenteritis in the Tourism Industry—May 1992
- Tuberculosis outbreaks in rural villages—1994/1995
- Rabies expertise—Pilot Point exposure 1995



Examples of how PH Labs benefit (cont.)

- Perform case surveillance of disease surveillance (including accessibility to indigent high risk populations):

Examples:

Measles Rubella
 Influenzae Pertussis
 Diphtheria Salmonella/Shigella
 Hepatitis B

Sexually Transmitted Diseases

Syphilis Chlamydia
 HIV Gonorrhea





Public Health Labs: Mission Statement

- ▶ Essential component of state & national public health systems with a different mission than private laboratories.
- ▶ Provide scientific and technical information for disease prevention.
- ▶ First line of defense in recognizing and controlling spread of communicable diseases.

7



Public Health Labs: Mission Statement (cont.)

- ▶ Accomplish core public health functions and responsibilities in partnership with private and federal laboratories, including:
 - disease control & prevention programs
 - maternal and child health programs
 - environmental health programs
 - epidemiological investigations
 - laboratory quality assurance in Alaska
 - Technology development
 - Diagnostic product evaluation
 - Data collection
 - Laboratory expertise
 - National surveillance link

8



Lab Functions: Don't Privatize When...

- Services are essential if government or legal barriers apply
- Tasks are uncertain, subject to change
- Value of output is hard to measure
- Public Laboratory has specialized, hard-to-transfer expertise
- Process is as important as the result

9



But Do Privatize When...

- Performance is measurable
- Results are more important than process
- Outputs are easy to measure
- Problem labs can be readily replaced
- Activity is short-term or intermittent
- Private sector has specialized expertise
- Privatized activity is successful elsewhere

10

Why must we build a new laboratory?

Solves

- ◆ Existing: At the State and Bureau Public Health Labs—*immediate health and safety threat to employees and the public.*
- ◆ The State Medical Examiner—*A permanent home must be found; temporarily occupying space at Dept. of Public Safety Crime Detection Laboratory.*



Why must we build a new laboratory? (cont.)

► Saves

- ◆ existing leased space would require substantial unrecoverable investment
 - ◆ staff functions are now duplicated at multiple locations
- **Maintains an essential public service more cheaply and more efficiently**
- ◆ Specimens now must be sent to multiple locations



Why must we build a new laboratory? (cont.)

- New technologies: a modern, well-designed, adaptable, safe laboratory is a necessity for the demands of the 21st Century.
- Examples:
 - ◆ DNA testing
 - ◆ Newly emergent diseases

13



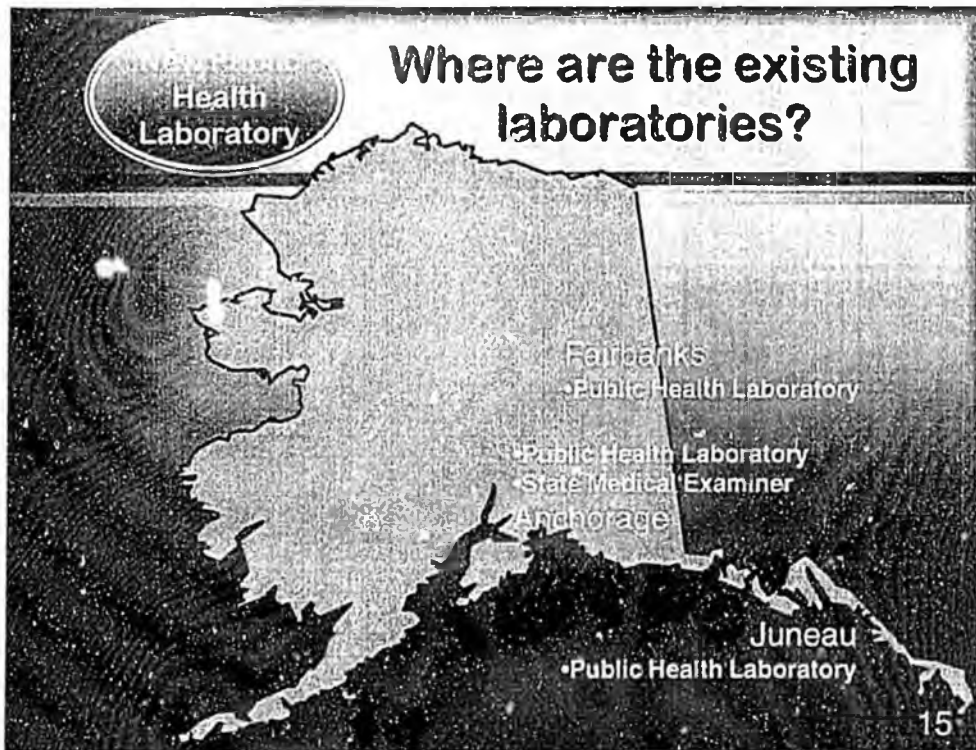
What problems will we solve?

- **Current** (services are inadequate)
- **In leased space or in temporary space**
- **Not designed for current operations** (two labs in office spaces)
- **Need work** (laboratories are inadequate and require significant capital investment to maintain)
- **Expensive** (we can't afford four separate laboratories)

14



Where are the existing laboratories?



Existing Laboratory Conditions

Anchorage Public Health Lab: Leased space; designed as laboratory; extensive upgrades.

Medical Examiner Lab: Leased space; designed as laboratory; testing moved to Anchorage because of safety hazards.

Fairbanks Public Health Lab: Leased space; supports current operations but old and inflexible interior space incapable of absorbing additional activities.

Medical Examiner Lab: Using borrowed space at Dept. of Public Safety's Crime Detection Laboratory in Anchorage. Space is inadequate and needed by Crime Detection Lab.



DHSS has long history of analyzing the problems

- We know what the problems are
- We know how to solve them
- We've studied the problems
- We've taken a "Good Government" approach
 - engaged in long range planning
 - analyzed needs and reviewed many alternatives
 - developed a comprehensive, workable solution



There have been many studies and plans



- 1971 (October)
 - 1980 (January)
 - 1981
 - 1983 (March)
 - 1983 (May)
 - 1983 (December)
 - 1984 (March)
 - 1984 (August)
 - 1985 (February)
 - 1985 (February)
 - 1995 (March)
- *Construction of Alaska Public Health Laboratory, Alaska Department of Health, Evaluation of the Public Health Laboratory Facility, Alaska Division of Public & Occupational Health, Contract for Design (Phase I)*
 - *Alaska Public Health Laboratory: Background Information for Feasibility Study (Wary International and Cooper & Lybrand)*
 - *State of Alaska Public Health Laboratories Assessment, Architecture for Health & Occupational*
 - *Anchorage Public Health Lab Seismic Safety Inspection, Draft, Memorandum to Public Facilities (Field, Roger D.)*
 - *State of Alaska Public Health Laboratories Strategic Plan Final Report, Vivinet, Cooper & Lybrand*
 - *Public Health Laboratory-Anchorage, Preliminary Program of Requirements for Renovations Report (McClintock & Co., Inc.)*
 - *Public Health Laboratory-Anchorage, Phase II Interim Renovations Report, Mc Health Hazard Evaluation Report, HETA 91-0260-2459, Supplemental Regional National Institute for Occupational Safety and Health (NIOSH)*
 - *State of Alaska Public Health Laboratories Strategic Plan (with special projects)*
 - *Public Health Laboratories Strategic Plan (with special projects)*
 - *Proposing a New Public Health Laboratory*
 - *Centralized Public Health Laboratories, Site Selection Considerations and Allocation (with Model, Final Draft)*



New lab would save money & solve problems

- Solves problem of inadequate Public Health Labs in Juneau and Anchorage
- Solves problem of permanent housing for Medical Examiner's Lab
- Increases operational efficiency
- Saves operating costs



The status quo cannot continue

- We can't afford to maintain the current arrangement
- We don't need four separate labs
- The current arrangement for the Medical Examiner is untenable—we must find a permanent space

SCS HB 529 (HES)— Financing almost approved last year



Legislature Almost Approved the New Lab

➤ **Authorizing legislation nearly passed the Legislature**

- ◆ Combine Anchorage & Juneau Public Health labs and Medical Examiner into new lab in Anchorage
- ◆ Fairbanks Public Health Lab to remain operating





Operating Cost Savings (Fiscal Note)

First Year (FY01) Operating Cost Savings (\$1,000's)

| | |
|---|-------|
| Dept. of Health and Social Services | 217.6 |
| <i>Savings in personal svcs., Juneau Lab lease, misc.</i> | |
| Dept. of Administration | 75.4 |
| <i>Savings in Anchorage Lab lease</i> | |
| Total | 293.0 |



Principal and Financing Costs

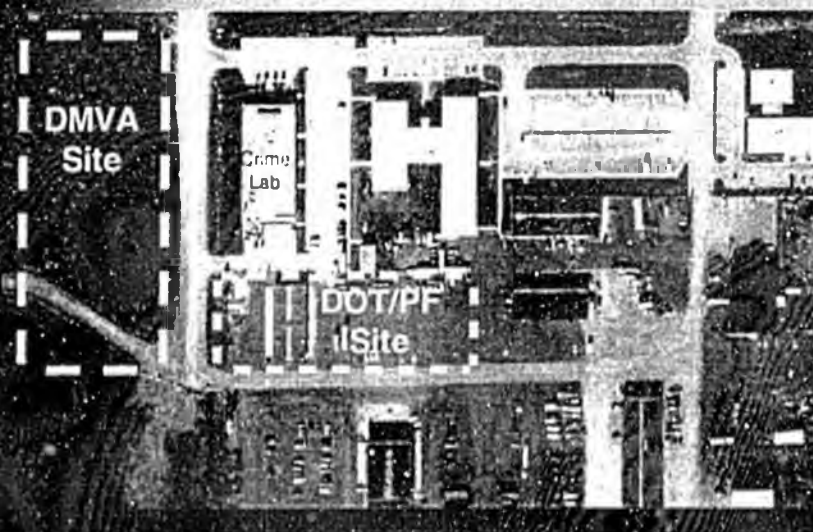


| | <i>Principal Costs</i> | <i>Annual Debt Service (Rent)</i> | <i>Total Debt Service (Rent)</i> |
|--|----------------------------|---|--|
| 1997 Estimate of Costs (10 year financing) | | | |
| New Laboratory <i>Adjusted for inflation and Medical Examiner's assumption of Coronar responsibilities</i> | \$18,440,000 | \$2,420,000 | \$24,130,000 |

Site Location

- Medical Examiner needs to be near Public Safety Crime Detection Lab (Crime Lab)
- Several alternatives for state-owned land are being considered immediately adjacent to the Crime Lab

Proposed Site Locations



“Alaska’s State Public Health Laboratories (ASPHL): A Crisis Situation”

ROLE OF ALASKA’S PUBLIC HEALTH SYSTEM

The health of individuals begins with a safe and healthy community in a safe and healthy environment.⁹ Alaska’s unique environment, demographics, and seasonal tourist industry continually challenges our public health system. Alaska needs to retain a strong state public health system that is based on prevention and extends well beyond individual medical care to the entire population.⁹ Keep in mind our biggest gains in health status have come from population based programs targeting sanitation, safe drinking water, tobacco prevention, immunization, and the control of infectious diseases.³

Misperceptions about public health are common among the general population. One of the most common misperceptions is that public health’s major role is to provide state-subsidized health care to the poor and indigent. Clearly this is not public health’s major role. Public health, is based on the premise that the economic, social, and cultural development of any community is dependent on the health and safety of its citizens. It is the commitment by this State at every level, to assure safe and healthy communities to all citizens, so that Alaskans can devote their energies to fulfilling their dreams. This is a responsibility of the State which cannot be delegated, even in part.^{1,4} This mission is addressed in Alaska’s Constitution, Article VII, Section 4: “.....the legislature shall provide for the promotion and protection of public health.”

The essential activities of the public health system are assessment, policy development, and assurance (Table 1).^{2,4,6} It is important to note that Alaska’s State Public Health Laboratory (ASPHL) is critical to each one of these activities.⁴

Table 1⁴

Assessment

- Assess the health needs of the community.
- Investigate the occurrence of health effects and health hazards in the community.
- Analyze the determinants of identified health needs.

Policy Development

- Advocate for public health, build constituencies and identify resources in the community.
- Set priorities among health needs.
- Develop plans and policies to address priority health needs.

Assurance

- Manage resources and develop organizational structure.
- Implement programs.
- Evaluate programs and provide quality assurance.
- Inform and educate the public.

ROLE OF ALASKA'S PUBLIC HEALTH LABORATORIES

The ASPHL is an essential component of the State and National public health infrastructure and clearly operates with a different mission and purpose than do private sector laboratories. Nor do they perform identical types of testing when compared to clinical laboratories. The ASPHL provides a broad range of disease control, preventive health care, environmental monitoring, applied research and laboratory improvement services. They generate information that serves the needs of epidemiologists, regulators, policy makers, the medical community and the public, the ultimate beneficiary. State public health programs, depend on the high quality data which is produced by the ASPHL. Aside from daily services

performed to support State programs, the ASPHL maintains the expertise and flexibility to investigate outbreaks, conduct surveillance activities and provide support as part of the State's disaster preparedness plan for response to emergencies. The reemergence of infectious diseases and drug resistance, combined with the increase in interstate and international travel make the need for an effective national public health laboratory network greater today than ever before. The ASPHL represents a first line of defense for Alaskans in the rapid recognition and prevention of communicable diseases and is a critical component of the national network.^{5, 8}

Integral cooperation exists between the public health laboratory and the State's epidemiologists in investigations, surveillance, surveys and control activities. The laboratory performs tests that are clearly not a part of individual medical care such as the testing of contacts or family members. Frequently there is a need to determine the health status of well persons through screening studies.¹⁰ Such testing is essential in the control of diseases. Tests performed in the ASPHL comprise disease assessment, which help protect the community by preventing and controlling disease. Tests performed are done without compensation as the motive but as "advocacy for the public's health". The cost of the test in the public health laboratory pays for more than a test result. It provides health benefits to the local population and the nation as a whole.⁴ The ASPHL performs population based screening for conditions of public health concern such as human immunodeficiency virus and sexually transmitted diseases (STD) such as gonorrhea, chlamydia, and syphilis. The ASPHL also provides specialized testing for low-incidence, high-risk diseases such as tuberculosis and rabies. Testing performed for disease agents such as protozoa, enteric bacteria, meningococci, STD, influenzae viruses and other respiratory diseases is focused on determining epidemiologic shifts and newly emerging pathogens.⁹ This is accomplished through analysis of the lab's own primary isolates and those referred to them by private laboratories throughout the state. Epidemiologists use the ASPHL's data to

determine "sentinel events" that would indicate an emerging problem.⁹ Examples of this include hantavirus, antibiotic-resistant mycobacteria, *Escherichia coli* 0157:H7 and cryptosporidiosis. Additionally the ASPHL provides specialized reference services for other laboratories in the State such as antibiotic susceptibility testing and typing of isolates contributing not only to patient care but providing tools for disease surveillance. The ASPHL also tests foods associated with outbreak investigations which is clearly not a procedure undertaken by clinical laboratories. Another major responsibility of the ASPHL is laboratory improvement within the State. This is accomplished by providing training, technical assistance, and proficiency testing to improve the quality of work performed by other laboratories in the state. Lastly, the ASPHL conducts applied research to develop or evaluate new laboratory methods in order to aid epidemiologic investigations or for assessment of public health services.⁹ Unlike many states, the ASPHL do not provide newborn screening, blood-lead tests, toxicology screens, or significant environmental testing.

BACKGROUND AND CURRENT STATUS OF THE STATE'S PUBLIC HEALTH LABORATORIES

There has been a Public Health Laboratory in Alaska since the late 1930's when the first facility was established in Juneau. Two other laboratories, in Anchorage and Fairbanks, were established in 1939 and 1948 respectively as the populations grew. The primary purpose of these facilities at the time was to provide direct clinical support to local physicians and analytical support to sanitarians, veterinarians, and other environmental professionals.

Today, all three laboratories operate under the State Division of Public Health. Each lab represents geographically diverse and distant populations, but populations that share a much greater accessibility than when the ASPHL were

first established. Since 1985, thirteen studies have assessed the deficiencies and deteriorating state of the ASPHL. The buildings that house the three laboratories are in leased space that is technically or functionally inadequate to support the types of testing conducted there. Two of the buildings (Anchorage and Juneau) are in urgent need of repair and are unable to meet the demands of changing analytical technologies. In addition, the Anchorage and Juneau buildings, which were originally designed as office buildings, face serious mechanical system and structural inadequacies for conducting laboratory testing and analysis. The Fairbanks laboratory is housed in a dated facility on the University of Alaska campus. All of the studies document significant health and safety risks caused by improper ventilation and poor layout of lab spaces. In addition, lease expenses and the increasing cost of renovating leased space to meet minimal safety standards continually strain the resources of the Department of Health and Social Services. Serious risks to the State exist if the status quo of the ASPHL continues.⁷

The following issues affect the cost-effectiveness and level of service of the ASPHL:⁷

- Health and safety risks caused by improper ventilation and other facility limitations.
- Leased facilities with limited maintenance or repair resources
- Duplication and redundancy in facilities
- Limited space for growth or addition of new technologies
- Procedural inefficiencies caused by poor facility layouts
- Duplication and redundancy in staffing
- Duplication and redundancy in administrative tasks
- Unwieldy and time consuming transfer of specimens between sites
- Reduced ability to communicate, coordinate, and train; duplicated supervision; diminished team-building capabilities

- Slow turnaround time for test results.

FUTURE OF THE STATE'S PUBLIC HEALTH LABORATORIES

As emphasis on prevention increases, so will the need for preventive services, it is not possible to know what research will bring to the health care system and to disease prevention in the future; also it is not possible to predict the services that public health laboratories will need to provide. Microorganisms continue to evolve and sometimes offer surprises. The ASPHL will be expected to detect promptly and confirm an ever-expanded array of pathogens as they are discovered in the future. HIV will not be the last infectious disease. There will continue to be other new, as well as re-emerging, infectious diseases in the United States, reflecting new discoveries (pneumonia due to chlamydia) and changes in the environment (Lyme disease), technology (Legionnaires Disease), personal behavior (herpes 2, human papilloma virus, and other sexually transmitted diseases), age of population (pneumonia, influenza), food production practices (salmonella, small particle viruses), poverty (tuberculosis), and the microbial world (antibiotic resistance, virulence). Increased travel, immigration, and translocation of populations increasingly expose citizens to malaria, dengue, parasitic diseases, hemorrhagic fevers, and enteric diseases, such as cholera. In all these instances, the first point of contact and often the only source of expertise is the public health laboratory.⁴

It is obvious that public health laboratory services are essential for the proper functioning of the public health system in the State of Alaska. There will continue to be a need for core public health functions and for expertise of personnel trained in public health laboratory work. Private laboratories cannot be expected to provide equivalent services.⁴

Smart management dictates that a state public health laboratory meet the standards of economic and administrative efficiency while providing a safe and efficient public health service. Those standards can no longer be met through the independent operation of three separate laboratories operating in facilities that have outgrown their utility.⁷ Without adequate facilities, space and equipment, the types and volume of tests offered by the laboratory are reduced, the remaining staff are overworked and overcrowded, morale drops, user confidence erodes, and the downward spiral of the laboratories' capabilities, reputation, and public health relevance accelerates. This is hardly a recipe for success.⁴

It is crucial for Alaska to have a public health laboratory that will gain the confidence of the medical profession and our citizens while assuring that highly technical and skilled staff can be recruited and appropriately supported in meeting all present and future demands.

A new facility to house the ASPHL is desperately needed in order for the laboratory to continue meeting the goals and objectives of their public health mission. Our major concern is in keeping intact, and indeed strengthening, the public health laboratory system that is so crucial for carrying out the basic functions of public health in Alaska.³

The future of the public health laboratory depends heavily on the ability of health department personnel, appointed and elected officials, the medical community and the general public to understand and appreciate the meaning of public health and the functions of the public health laboratory.⁴ Those who believe in the role of disease assessment and disease prevention need to advocate for a new Public Health Laboratory facility that pays for itself, integrates and adequately houses departmental laboratory functions, allows for future growth and provides for a satisfactory level of services at a lower cost.⁴

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Chief, Section of Laboratories
Dept. of Health & Social Services

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4. Dowdle, W. R., The Future of the Public Health Laboratory, Annual Review of Public Health, Annual Reviews, Inc., Palo Alto, CA., 14:649-694, 1993.
5. Getchall, J. P., The Role of the Public Health Laboratory and the Definition of Public Health Laboratory Services, The Nation's Health, September, 1996.
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8. Role of Public Health Laboratories. Association of State and Territorial Public Health Laboratory Directors. 1992.
9. Skeels, Mike R., Public Health Laboratories Build Healthy Communities, Laboratory Medicine, 26:588-592, September, 1995.
10. Wilcox, Kenneth R., An Epidemiologists View on the Need for Preservation of Public Health Laboratories, Presentation; ASTPHLD Annual Planning Conference, 1992.

PRIVATIZATION OF PUBLIC HEALTH LABORATORY TESTING?

Even the most ardent supporters of general government privatization are reticent to argue for the privatizing of the public health laboratory function. All fifty states and U.S. territories have public health laboratories and none have been privatized. This is because the services the public health laboratories provide are inherently public. The Alaska Public Health Laboratories (APHL) do not merely perform tests and provide results to health care providers as the private labs do; they are an essential component of public health policy determination. The following criteria are commonly used by state governments to determine whether privatization is appropriate for a given function:

Do Not Privatize If

- Service is a core function of government (policy making or police powers, for example) or legal barriers apply
- Tasks are uncertain and prone to revision
- Value of output is hard to measure
- Government provider is most knowledgeable about accomplishing the task, and transfer of such expertise would be difficult
- Process is as important as the result

Frequently, and particularly in pursuing a finding that is epidemiologically significant, the public health laboratory will undertake tasks that go well beyond what one could expect a private contractor to do and staff are specifically trained for public health investigations. With this in mind, none of the criterion in the list above may be satisfied in the case of the APHL. A further test is to look at criteria in favor of privatization.

Do Privatize If

- Specific performance expectations can be set forth
- Results are more important than the process
- Outputs are easy to measure
- Problem providers can be readily replaced
- Activity is short-term or intermittent in nature
- Private sector has specialized expertise or skills that give operational efficiency and effectiveness
- Activity has been successfully privatized in other states

If the responsibilities of the public health laboratories could all be distilled into performance of tests and transmitting the results to health care providers, then most of the criteria in the list above would be met. Once we understand the policy making and epidemiological functions to be a core responsibility of the public health laboratories, however, these criteria are no longer satisfied in the case of the APHL.

Through this analysis, it appears that the APHL system needs to remain under the management of the government. Other arguments against privatization make this conclusion even more compelling. Discussions with private laboratory providers reveal that assuming total privatization would possibly shift jobs from Alaska to the Lower 48 ---- the private laboratories that could compete for the highly technical work now performed by the APHL would simply add the work to their current workload that is already sent out-of-state. Thus, private labs may add limited clerical support to their staffs to facilitate tracking and delivery of specimens, but additional in-state technical personnel would not be necessary. Contrary to the commonly held perception that privatization increases local employment, APHL privatization would do very little to stimulate local economies.

Diseases and conditions currently reportable to the Alaska Division of Public Health

Alaska Department of Health and Social Services

Laboratories

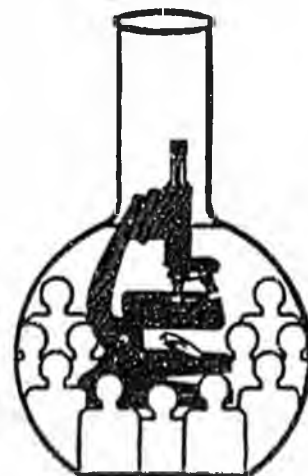
Laboratories must report the following diseases:

Amebiasis
Anthrax
Blood lead $\geq 10 \mu\text{g/dL}$
Botulism
Brucellosis
Campylobacteriosis
Chlamydiosis
Cryptosporidiosis
Cholera
Diphtheria
Echinococcosis
Disease due to Escherichia coli 0157:H7
Giardiasis
Gonorrhea
Hepatitis (A, B or C)
Influenza
Legionnaire's disease
Leprosy
Malaria
Meningitis (viral and bacterial)

Mumps
Pertussis
Plague
Poliomyelitis
Psittacosis
Rabies
Rubella
Rubeola
Salmonellosis
Shigellosis
Smallpox
Syphilis
Tetanus
Trichinosis
Tuberculosis
Tularemia
Typhus
Yellow fever
Yersiniosis
Invasive disease due to Neisseria meningitidis

To report a case

Reports may be made by dialing 561-4234 from the Anchorage area or 1-800-478-1700 from outside the Anchorage area. A tape recorder, which operates 24 hours a day, will record your report.



Health Care Providers

Health care providers are responsible for reporting all of the above with the exception of: Escherichia coli O157:H7, influenza, meningitis, and typhus.

In addition health care providers must report:

AIDS
Encephalitis
Lyme disease
Paralytic shellfish poisoning
Reye syndrome
Rheumatic fever
Haemophilus influenzae type B meningitis
Meningitis due to Neisseria meningitidis
Typhoid
Birth defects (among children <5 years old)

Cancer (except basal cell and squamous cell carcinoma of the skin)
Firearm injuries
Epidemics or outbreaks of an unusual number of cases of any infectious disease.
Severe reactions to any vaccine.
Diseases which are known or suspected to be related to environmental exposure to toxic-hazardous material.
Diseases which may possibly arise as a result of a worker's occupation.

Public Health Emergencies

Suspected cases of the following are *public health emergencies*.

Anthrax
Botulism
Diphtheria
Meningococcal meningitis
Paralytic shellfish poisoning
Poliomyelitis
Rabies
Rubella
Rubeola
Smallpox
Tetanus

Call 269-8000 (if outside the Anchorage area, call collect) immediately. After hours call 1-800-478-0084.

More likely, as illustrated in panel B of figure 16-1, the lease structure will have the lessor assign interest in the lease payments to one or more investors who put up the principal needed by the local government lessee in exchange for assignment of the right to receive the payments under the lease. In the case of the lease purchase, the interest component of these payments is tax-exempt. This characteristic makes ownership of the lease obligation most attractive to investors that benefit by tax-exemption, the same as is true with tax-exempt bonds.

The assignment of the lessor's rights, title, and interest in the lease to the investor may be direct or through a trust agreement. In the direct form, the investor receives payments directly from the government. This arrangement may be facilitated by employing a transfer agent who invoices the government, forwards payments to investors, and carries out other administrative tasks.

The trust agreement version, as is depicted in panel C of figure 16-1, involves the creation of a trust and the assignment of the lease payments to a trustee. In a trust arrangement, the lessor acts as trustor and enters into a trust agreement, with the designated lease or leases going to designated investors as beneficiaries. The trustee is usually a trust company, which oversees the operation of the lease and represents the interests of investors that hold certificates of participation. The certificate of participation has become a very important financing structure and we will return to how it has been used to broaden the market for leases shortly.

Panel D of figure 16-1 illustrates another version of lease structure, in which the lessor itself is a governmental entity, such as a school building authority. The government entity-lessor may do the financing and act as agent for construction and acquisition of the equipment or structure and lease it to the lessee government. The lessor sells to investors its own debt obligations, which are secured on the future stream of payments by the lessee. These obligations are typically referred to as "lease-revenue debt" since the debt is secured only on the revenues from the lease payments. These structures are frequently employed to assist governments that have insufficient borrowing powers; the lessor acts merely as a conduit to the financial markets for the lessee. Since the issuer of the debt and the underlying obligor and user of the facility are both governments, the interest payments are tax-exempt. The lease-rental obligation is a very common device at the state level in particular and is used to finance school construction at the local level in several states.

Certificates of Participation

The participation of many investors in the lease transaction allows the transformation of what would otherwise be a straightforward financing instrument, executed between a lessee and a lessor, into a marketable security. This means that the lease enjoys much greater access to funds and greater liquidity for investors. In a certificate of participation (COP) financing, title to the leased asset is assigned by the lessor to a trustee that holds it for the benefit of the investors, the certificate holders.⁷ The idea behind the COP-based borrowing is to make the certificates marketable and transferable, generally behaving like conventional debt instru-

ments. Other parties participate in the COP lease, which makes it look similar to debt financing, including underwriters, underwriters' counsel, registrar, and bond counsel. These parties play essentially the same roles in accessing the tax-exempt capital markets as they would play in assisting a governmental entity to undertake a conventional debt financing.

Not surprisingly, when COP-backed debt is used (which typically occurs for capital needs of \$5 million and above), the financing costs, while similar to those for conventional bond issues, usually are higher. Three major factors account for the higher costs associated with COP financings. The first is that the issuance costs (that is, the costs of preparing documents, designing the transaction and executing the sale) associated with a certificate of participation financing are similar to those of bond financing. Thus, the COP presents no economies here that may be available under other tax-exempt leases.

A second factor is the higher interest costs of the lease-purchase financing than, for example, those on bonds backed by a "full faith and credit" general-obligation pledge. This interest differential reflects the added risks of nonappropriation in a lease-purchase financing structure. The differential depends on the given credit ratings and market factors and has typically ranged from one-tenth of a percentage point to one full percentage point above the lessee's general obligation interest costs.⁸

A third factor is the requirement of debt-service reserve funds. Debt-service reserve funds, which typically equal 10 percent of the total principal borrowed, are not required for general-obligation borrowings; the risks present in COP financings, however, often do require debt-service reserve funds. As a result, issuers must borrow more funds than are needed for the capital acquisition—the additional amount being the required debt-service reserve fund. Thus, even if the interest rate charged on the COP financing compares favorably with the amount that would otherwise be charged on general-obligation debt, the state and local government borrower will be paying for financing on a larger principal because of the debt-service reserve fund.

SERVICE CONTRACTS

Leasing arrangements may be used by governments simply to acquire use of a capital item for a limited period of time or as a method of purchasing such an item over a period of years. In cases where government entities wish to acquire services as opposed to just the item itself, another type of arrangement is a candidate for consideration—the service contract. A service contract may be defined as follows: A legal contract between a private company and a governmental entity that requires the private company, in return for a specified fee, to provide certain services that would otherwise be provided by the governmental entity.

Service contracts can cover the spectrum of facility development, ranging from short-term operation of a facility by a private firm to complete private design, construction, operation, ownership, and financing of a public works facility. Or a service contract may entail the establishment of long-term relationships

S B

5 8

0-LS0123\K
Chenoweth
3/15/97

CS FOR SENATE BILL NO. 58()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR TAYLOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the penalty for the consumption or possession of alcoholic
2 beverages by persons under 21 years of age, to the issuance, suspension,
3 limitation, revocation, and reinstatement of drivers' licenses, permits, or privileges
4 to drive concerning alcohol-related offenses, to youth assessment and referral
5 programs for minor drivers, and to alcohol information courses for driver
6 improvement and for reduction of points assessed for violation of traffic laws;
7 and relating to the use of money collected from fines imposed for the offenses
8 of possession, control, or consumption of alcoholic beverages by persons under
9 21 years of age that are punishable as violations."

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

11 * Section 1. AS 04.16.050(b) is amended to read:

12 (b) A person who violates (a) of this section is guilty of

1 (1) a violation, and, upon [. UPON] conviction of the violation in the
2 district court, the court shall [MAY] impose a fine of \$250;

3 (2) a class B misdemeanor if, during the preceding two years, the
4 person was convicted of a violation of (a) of this section or of a municipal
5 ordinance with substantially similar elements [NOT LESS THAN \$100].

6 * Sec. 2. AS 04.16.050 is amended by adding a new subsection to read:

7 (c) Money collected from fines imposed under (b)(1) of this section shall be
8 deposited in the general fund. The legislature may use the money collected from fines
9 imposed under (b)(1) of this section to make appropriations for assessment and referral
10 programs that provide substance abuse screening services to and monitor compliance
11 for a minor required to participate in an alcoholism or drug education or rehabilitation
12 treatment program under AS 28.15.183(g) or before the minor's driver's license may
13 be reinstated under AS 28.15.211(d).

14 * Sec. 3. AS 28.15.183(f) is amended to read:

15 (f) A revocation imposed under this section shall be consecutive to a
16 revocation imposed under another provision of law, except that a revocation imposed
17 under this section for an offense for which a revocation is required under
18 AS 28.15.185 shall be concurrent with a revocation imposed under AS 28.15.185 that
19 is based on the same incident. A department hearing officer may grant limited license
20 privileges in accordance with the standards set out in AS 28.15.201 to a person whose
21 driver's license, permit, or privilege was revoked under this section.

22 * Sec. 4. AS 28.15.183(g) is amended to read:

23 (g) Except as provided under (h) of this section, the department may not issue
24 a new license or reissue a license to a person whose driver's license, permit, or
25 privilege to drive has been revoked under this section unless the person is enrolled in
26 and is in compliance with, or has successfully completed,

27 (1) an alcoholism education or rehabilitation treatment program
28 approved under AS 47.37, if the revocation resulted from possession or consumption
29 of alcohol in violation of AS 04.16.050 or a municipal ordinance with substantially
30 similar elements, from operating a vehicle after consuming alcohol in violation of
31 AS 28.35.280, or from refusal to submit to a chemical test of breath in violation of

1 AS 28.35.285; or

2 (2) a drug education or rehabilitation treatment program, if the
3 revocation resulted from possession or use of a controlled substance in violation of
4 AS 11.71 or a municipal ordinance with substantially similar elements.

5 * Sec. 5. AS 28.15.185(a) is amended to read:

6 (a) A person who is at least 13 years of age but not older than 17 years of age
7 is subject to revocation, under (b) of this section, of the person's driver's license,
8 privilege to drive, or privilege to obtain a license if the person [WHO] is convicted
9 of or [WHO] is adjudicated a delinquent minor by a [JUVENILE] court for [OF]

10 (1) misconduct involving a controlled substance under AS 11.71 or a
11 municipal ordinance with substantially similar elements; or

12 (2) [POSSESSION OR CONSUMPTION OF ALCOHOL UNDER
13 AS 04.16.050 OR A MUNICIPAL ORDINANCE WITH SUBSTANTIALLY
14 SIMILAR ELEMENTS; OR

15 (3)] an offense involving the illegal use or possession of a firearm that
16 is punishable under AS 11 or a municipal ordinance with substantially similar elements
17 [IS SUBJECT TO REVOCATION OF THE PERSON'S DRIVER'S LICENSE,
18 PRIVILEGE TO DRIVE, OR PRIVILEGE TO OBTAIN A LICENSE UNDER (b) OF
19 THIS SECTION].

20 * Sec. 6. AS 28.15.185(c) is amended to read:

21 (c) When a person described in (a) of this section has been convicted of
22 or adjudicated a delinquent minor for [UPON CONVICTION OR ADJUDICATION
23 OF] an offense listed in (a) of this section, the court may, upon petition of the person,
24 review the revocation and may restore the driver's license, except a court may not
25 restore the driver's license until

26 (1) at least one-half of the period of revocation imposed under this
27 section has expired; and

28 (2) the person has taken and successfully completed a state approved
29 program of drug education or rehabilitation if convicted or adjudicated of misconduct
30 involving a controlled substance under AS 11.71 or a municipal ordinance with
31 substantially similar elements [, OR ALCOHOL EDUCATION OR

1 REHABILITATION IF CONVICTED OR ADJUDICATED OF POSSESSION OR
2 CONSUMPTION OF ALCOHOL UNDER AS 04.16.050 OR A MUNICIPAL
3 ORDINANCE WITH SUBSTANTIALLY SIMILAR ELEMENTS]; however, this
4 paragraph does not apply to a person who resides in an area that does not offer a state
5 approved drug [OR ALCOHOL] education or rehabilitation program or a person that
6 the court determines does not need [ALCOHOL OR] drug education or rehabilitation.

7 * Sec. 7. AS 28.15.211(d) is amended to read:

8 (d) At the end of a period of revocation or limitation following a revocation,
9 a person whose driver's license has been revoked may apply to the department for the
10 issuance of a new license, but shall submit to reexamination, pay all required fees
11 including a reinstatement fee, and, if the license was revoked under AS 28.15.181(a)(5)
12 or (8), submit proof of

13 (1) enrollment in and compliance with or completion of an alcoholism
14 education and rehabilitation treatment program approved under AS 47.37 if the
15 person was sentenced under AS 28.15.181(c)(1); or

16 (2) completion of and payment for an alcoholism education and
17 rehabilitation treatment program approved under AS 47.37 if the person was
18 convicted under AS 28.15.181(c)(2) - (4).

19 * Sec. 8. AS 28.15.241(b) is amended to read:

20 (b) In addition to (a) of this section, two points shall be deducted from the
21 assessed total upon the driver's furnishing to the department adequate proof of
22 successful completion, within 12 months of the date of the driver's last violation, of
23 a driver improvement course approved by the department or an alcohol information
24 course approved by the Department of Health and Social Services. No more than
25 one driver improvement or one alcohol information course may be used to obtain
26 a reduction in points in any 12-month period.

27 * Sec. 9. AS 28.15.253 is amended to read:

28 Sec. 28.15.253. Driver improvement or alcohol information courses
29 [COURSE]. Upon conviction of a violation of a traffic law that results in a driver's
30 [DRIVER] accumulating six or more points from offenses committed during any
31 consecutive 12-month period or nine or more points from offenses committed during

1 any 24-month period, on request of the department, the court may, in addition to any
2 other penalty authorized by law, require the driver to successfully complete a driver
3 improvement course approved by the department or an alcohol information course
4 approved by the Department of Health and Social Services within a period of time
5 prescribed by the court. The department may suspend, revoke, or deny the driver's
6 license of a person who fails to successfully complete the driver improvement course
7 or the alcohol information course required by the court under this section within the
8 prescribed time period.

9 * Sec. 10. AS 47.37.040(14) is amended to read:

10 (14) cooperate with the Department of Public Safety and the
11 Department of Transportation and Public Facilities in establishing and conducting
12 programs designed to deal with the problem of persons operating motor vehicles while
13 intoxicated or under the influence of drugs, and develop and approve alcohol
14 information courses required to be taken by drivers under AS 28.15 or made
15 available to drivers to reduce points assessed for violation of traffic laws;

16 * Sec. 11. AS 47.37.045(c) is amended to read:

17 (c) Community action against substance abuse grant funds awarded under this
18 section may be used for

19 (1) Police-In-School Liaison programs staffed by officers that are
20 certified by the Alaska Police Standards Council;

21 (2) technical assistance for neighborhood based substance abuse
22 prevention or treatment programs;

23 (3) coordinators for court ordered community service;

24 (4) preventative or educational programs for youth that involve the
25 community, parents, youth, and local schools;

26 (5) programs or projects that the division determines are effective in
27 preventing or treating substance abuse at the community level; [OR]

28 (6) supervised youth recreation programs that focus on preventing or
29 treating substance abuse; or

30 (7) youth assessment and referral programs that provide substance
31 abuse screening services to and monitor compliance for a minor required to

1 participate in an alcoholism or drug education or rehabilitation treatment
2 program under AS 28.15.183 or before the minor's driver's license may be
3 reinstated under AS 28.15.211.

4 * Sec. 12. APPLICABILITY. Sections 1 - 3, 5, and 6 of this Act apply to offenses
5 committed on or after the effective date of this Act. However, references to previous
6 convictions include violations and offenses committed on, before, or after the effective date
7 of this Act.

LEGAL SERVICES

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

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

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 17, 1997

SUBJECT: Draft CS for Senate Bill 58 () (Work Order No. 20-LS0123\B)

TO: Senator Robin Taylor
ATTN: Joe Ambrose

FROM: Jack Chenoweth
Legislative Counsel

Just a word of caution in the event CSSB 58 () attracts interest in adding further amendments:

With the addition of material taken from the Governor's Senate Bill 71, the single subject of the draft committee substitute has become "alcohol and drugs" or, more generally, "substance abuse." It is no longer a measure that is confined to minors or to persons under 21 years of age and is not now in a form where it can admit amendments dealing with penalties imposed on minors or with persons under 21 years of age for driving motor vehicles that do not relate to alcohol and drugs.

JBC:glc
97-182.glc

Enclosure

LEGAL SERVICES

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

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

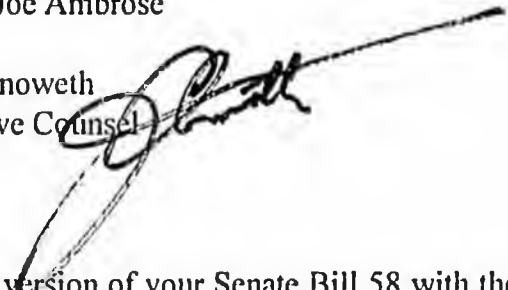
130 Seward Street, Suite 403
Juneau, Alaska 99801-2105

MEMORANDUM

March 17, 1997

SUBJECT: Draft CSSB 58(), amending various laws relating to alcohol and drugs -- sectional analysis (Work Order No. 20-LS0123\K)

TO: Senator Robin Taylor
ATTN: Joe Ambrose

FROM: Jack Chenoweth
Legislative Counsel 

The draft combines a modified version of your Senate Bill 58 with the greater portion of Governor Knowles' Senate Bill 71.

At the outset, I should note a key recent court decision, State of Alaska v. District Court, 927 P.2d 1295 (Alaska App. 1996), wherein the Alaska Court of Appeals concluded that, in conjunction with the conviction of a person under 18 years of age for consuming or possessing alcoholic beverages, because the court must revoke the minor's driver's license, minors are entitled to a jury trial and court-appointed counsel in the disposition of the offense.^{1/}

Sections dealing with possession, control, or consumption of alcoholic beverages by persons under 21 years of age:

Bill section 1: AS 04.16.050(a) defines the offense of possession, control, or consumption of alcoholic beverages by persons under 21 years of age. AS 04.16.050(b), amended by this bill section, prescribes the penalty for the offense. Current law treats the offense as a "violation," and instructs the court to levy a fine of "not less than \$100." The amendment proposed by this bill section keeps the offense of possession, control, or consumption of alcoholic beverages by a person under 21 years of age as a violation, but mandates a fine of \$250. Persons under 21 years of age possessing, controlling, or consuming alcoholic

^{1/} Under AS 47.12.030(b)(5), charges against a minor--a person under 18 years of age--involving an offense under AS 04.16.050 are to be tried in the district court and are not handled as matters that are addressed under procedures set out in the provisions of the juvenile delinquency chapter, AS 47.12.

Senator Robin Taylor

March 17, 1997

Page 2

beverages within two years of being convicted of an earlier offense would be charged with a class B misdemeanor, facing a possible penalty of 90 days in jail (AS 12.55.135(b)) and a maximum fine of \$1000 (AS 12.55.035(b)(4)).

Bill section 2: The bill section adds a new subsection to AS 04.16.050 directing that money collected as fines from the punishment of AS 04.16.050 as a violation be deposited into the state general fund for use by the legislature to make appropriations "for assessment and referral programs that provide substance abuse screening services to and monitor compliance for a minor required to participate in an alcoholism or drug education or rehabilitation program" as a condition of eligibility for reinstatement of the minor's driver's license.

Sections relating to sanctions imposed on a minor's license to drive in the event the minor is charged with and convicted of consumption or possession of alcoholic beverages:

Bill section 3: AS 28.15.183 generally addresses the administrative revocation of a minor's license to drive. Later in the bill, amendments are proposed to change provisions of law relating to court disposition of a matter affecting a minor's license to drive based on the minor's possession, control, or consumption of alcohol. The amendment made in this bill section is intended to underscore that administrative revocations based on incidents that lead to court-ordered revocations of a minor's license to drive under the companion provision, AS 28.15.185, are to run concurrently. Given that later amendments to AS 28.15.185 propose to delete authority for court-ordered license revocations for a minor convicted of possession, control or consumption of alcohol, administrative revocation of the license of a minor based on the minor's possession, control, or consumption of alcohol may be made independently.

Bill section 5: Court-ordered revocations of the license to drive of "[a] person who is at least 13 years of age but not older than 17 years of age"--in other words, of a minor--may be ordered under AS 28.15.185. The principal amendment made in this bill section to AS 28.15.185(a) removes possession or consumption of alcohol under AS 04.16.050 from the purview of the court. In addition, the order of the language in the subsection is revised without intent to change the subsection's meaning, and reference to "adjudication by a juvenile court" is altered to "adjudicated a delinquent minor by a court" to specify the nature of the adjudication and to remove a reference to a court that does not exist.

Bill section 6: The amendments to AS 28.15.185(c) serve a similar purpose. The substantive change removes reference to restoration of a minor's license to drive where restoration is connected to successful completion of an alcohol education or rehabilitation program. Since, in (a), the court is relieved of entering an order revoking the driver's license of a minor for possession or consumption of alcohol, the court is here, in (c), being relieved of the prerogative of providing a minor with a partial license restoration.

Senator Robin Taylor

March 17, 1997

Page 3

The net effect of the amendments made by bill sections 3, 5, and 6 is to shift revocation of a minor's license to drive based on the minor's alleged possession, control, or consumption of alcohol from the purview of the courts to the administrative revocation process.

Sections relating to the education and rehabilitation treatment programs:

The remaining provisions of the draft CS are drawn directly from SB 71. These provisions, according to Governor Knowles' transmittal letter, "[ensure] that minors whose drivers' licenses have been revoked for alcohol-related offenses are properly screened and monitored for compliance with education and treatment programs before their licenses are reinstated." However, a number of the proposed changes go beyond attention given to minors or to persons under the age of 21.

Bill section 10: This amendment to the duties of the Division of Alcoholism and Drug Abuse in the Department of Health & Social Services would extend the division's responsibilities to add the development and approval of alcohol information courses required to be taken by drivers that are required by the drivers' license issuance and reinstatement chapter, AS 28.15, and also to drivers who want to take courses to reduce points assessed for their violations of traffic laws.

Bill section 11: There is in law a "community action against substance abuse grant fund," AS 47.37.045, managed by the Division of Alcoholism and Drug Abuse. This bill section amends the authorized uses of the grant fund to add youth assessment and referral programs providing substance abuse screening services and monitoring compliance with treatment programs covering alcoholism or drug education or rehabilitation treatment in conjunction with complying with requirements for drivers' license reinstatement.

Bill section 4: Current law requires that, as a condition of restoration of a minor's license to drive based on possession or consumption of alcohol, the minor shall have first completed an alcoholism education or rehabilitation program. The amendment proposed in this bill section further qualifies the alcoholism education or rehabilitation program as one that is "approved under AS 47.37."

Bill section 7: The requirements of AS 28.15.211 prescribe the periods of time during which a driver's license may be suspended or revoked. Current law requires that, for a license revoked by a court for operating a motor vehicle while intoxicated or for refusing to submit to a chemical test of breath in conjunction with an arrest for operating a motor vehicle while intoxicated, an applicant for reinstatement of license must present certain proof concerning involvement or completion of an alcoholism education and rehabilitation treatment program. The amendments proposed in this bill section further qualify the alcoholism education or rehabilitation program as one that is "approved under AS 47.37."

Senator Robin Taylor

March 17, 1997

Page 4

Bill section 8: The state maintains a point system "[f]or the purpose of identifying habitually reckless or negligent drivers and habitual or frequent violators of traffic laws." As an offset to points assessed, a driver may provide "adequate proof of successful completion . . . of a driver improvement course approved by [the Department of Public Safety]." The amendments proposed in this bill section extend that option to cover successful completion of "an alcohol information course approved by the Department of Health and Social Services"--I take this to be a reference to what is being proposed in the last clause of the amended material being added in bill section 10--and appear to limit the driver's claim to one driver improvement course or alcohol information course in order to reduce points under the point system within a one-year period. ^{2/}

Bill section 9: In conjunction with the point system mentioned in the discussion of bill section 8, under current law, at a certain point--accumulating at least six points within a 12-month period, or accumulating at least nine points in a 24-month period--as part of a criminal sentence, a court may compel a driver to successfully complete a driver improvement course, failing which the Department of Public Safety may suspend, revoke, or deny reinstatement of a driver's license. The amendment made to AS 28.15.283 by bill section 9 expands the court's options to add the driver's successful completion of an "alcohol information course approved by the Department of Health and Social Services," again a reference to the approved program is being proposed in the last clause of the amended material being added in bill section 10.

*

Bill section 12: The provisions of SB 58 covering offenses involving possession, control, or consumption of alcoholic beverages by persons under 21 were drafted partially in response to the appellate court decision noted. An "applicability" provision was included to give clear indication as to offenses to be dealt with under the amendments proposed in the original measure. This bill section adapts the "applicability" provision of the original bill to limit its application to the appropriate sections that have been carried forward into this draft committee substitute from the original measure.

JBC:glc:pl

97-184.glc

Enclosure

^{2/} The amendment made to the last sentence of AS 28.15.241(b) in bill section 8 of the draft CS seems to me to introduce a measure of needless ambiguity about whether the licensee may claim one driver improvement course or one alcohol information course to reduce the points outstanding, but may not claim both. To eliminate the ambiguity, the committee could eliminate the words "driver improvement or one alcohol information" that appear as amending language in that sentence, so that the sentence reads, as it does now: "No more than one course may be used to obtain a reduction in points in any 12-month period."

A M E N D M E N T

OFFERED IN THE SENATE

TO: SB 58

1 Page 1, line 3, following "age":

2 Insert "; and relating to the use of money collected from fines imposed for the
3 offenses of possession, control, or consumption of alcoholic beverages by persons under
4 21 years of age that are punishable as violations"

5 Page 1, line 9:

6 Delete "a class A misdemeanor if the person was previously convicted"

7 Insert "a class B misdemeanor if, during the preceding two years, the person was
8 convicted"

9 Page 1, line 12, through page 2, line 2:

10 Delete all material and insert:

11 "** Sec. 2. AS 04.16.050 is amended by adding a new subsection to read:

12 (c) Money collected from fines imposed under (b)(1) of this section shall be
13 deposited in the general fund and accounted for under AS 37.05.142. The legislature
14 may use the money collected from fines imposed under (b)(1) of this section to make
15 appropriations for assessment and referral programs that provide substance abuse
16 screening services to and monitor compliance for a minor required to participate in
17 an alcoholism or drug education or rehabilitation treatment program under
18 AS 28.15.183(g) or before the minor's driver's license may be reinstated under
19 AS 28.15.211(d)."

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education
State of Alaska

A M E N D M E N T

OFFERED IN THE SENATE

TO: SB 58

1 Page 1, line 3, following "age":

2 Insert "; and relating to the use of money collected from fines imposed for the
3 offenses of possession, control, or consumption of alcoholic beverages by persons under
4 21 years of age that are punishable as violations"

5 Page 1, line 9:

6 Delete "a class A misdemeanor if the person was previously convicted"

7 Insert "a class B misdemeanor if, during the preceding two years, the person was
8 convicted"

9 Page 1, line 12, through page 2, line 2:

10 Delete all material and insert:

11 "* Sec. 2. AS 04.16.050 is amended by adding a new subsection to read:

12 (c) Money collected from fines imposed under (b)(1) of this section shall be
13 deposited in the general fund and accounted for under AS 37.05.142. The legislature
14 may use the money collected from fines imposed under (b)(1) of this section to make
15 appropriations for assessment and referral programs that provide substance abuse
16 screening services to and monitor compliance for a minor required to participate in
17 an alcoholism or drug education or rehabilitation treatment program under
18 AS 28.15.183(g) or before the minor's driver's license may be reinstated under
19 AS 28.15.211(d)."

Alaska State Legislature

Chairman,
Judiciary Committee

Member,
Resources Committee
Rules Committee
Committee on Committees



State Capitol
Juneau, Alaska 99801-1182
(907) 465-3873
Fax: (907) 465-3922

352 Front Street
Ketchikan, Alaska 99901
(907) 225-6086
Fax: (907) 225-0713

Senator Robin L. Taylor

Sponsor Statement

Senate Bill 58

In 1995, the Legislature passed and the Governor signed Senate Bill 46. This bill moved underage drinking offenses out of the juvenile justice system and into adult court. The new law also changed minor consuming from Class A Misdemeanor status to that of a violation with a fine of not less than \$100.

SB 46 was intended to toughen enforcement of underage drinking laws by getting the offenders and their parents or guardians into adult court. Two problems have arisen since that passage of SB 46 which require that this issue be revisited.

Parents in several communities have complained that the young offenders are laughing at the new law. The \$100 fine seems to have little impact on young people who receive \$1000+ in the form of Permanent Fund Dividend payments each year.

And, District Court Judge Patricia Collins has ruled that minors charged under the MCA statute are entitled to a jury trial and a public defender, if they qualify, because their drivers' licenses are subject to revocation upon conviction. The Court of Appeals upheld that ruling on December 6, 1996.

Senate Bill 58 seeks to restore legislative intent to the process. It would make minor consuming a violation, subject to a fine of \$250, on the first offense. The offense would revert to Class A Misdemeanor status for the second and subsequent offenses.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

Sponsor Statement - SB 58
Page Two

Senate Bill 58 would also divorce minor consuming from penalties against drivers' licenses, at least as far as the courts are concerned. Minors who consume alcohol would still lose their licenses through administrative action under the "Use It and Lose It" law, but it would no longer be a court action.

In Baker v. Fairbanks, the State Supreme Court held that a "criminal" prosecution included any offense which carries a direct penalty which may result in the loss of a valuable license. Persons prosecuted for "criminal" offenses are entitled to a jury trial and court-appointed counsel.

By passing SB 58 the Legislature would effectively restore the intent of the 1995 law by eliminating the court-ordered loss of a drivers' license as a penalty for underage drinking.

The \$250 fine imposed by SB 58 would also strengthen the message that underage drinking is against the law, while falling below the threshold of fines which establish a "criminal" prosecution.

After further consideration and contacts with interested parties, including the Department of Law and the Advisory Board on Alcoholism and Drug Abuse, I am recommending an amendment to SB 58.

Sponsor Statement - SB 58
Page Three

This amendment would reduce the second and subsequent offenses to class E misdemeanor status if they occur within two years of the first offense. That two year window will give ample opportunity to target problem drinkers. It should also serve to reduce the fiscal impact projected by the Public Defender Agency.

The second provision of the amendment would incorporate the "junior" Alcohol Safety Action Program suggested in Senate Bill 71. It would allow the legislature to appropriate the \$250 fines imposed by SB 58 to pay for this screening and referral program.

Adult offenders already pay for the ASAP program and should not be subject to increased drivers license reinstatement fees. Letting the kids pay for their own "junior" ASAP program through the \$250 fine will add some accountability to this effort to address minor consuming.

5346 1995

NOTICE: This opinion is subject to formal correction before publication in the Pacific Reporter. Readers are requested to bring typographical or other formal errors to the attention of the Clerk of the Appellate Courts, 303 K Street, Anchorage, Alaska 99501, in order that corrections may be made prior to permanent publication.

IN THE COURT OF APPEALS OF THE STATE OF ALASKA

| | | |
|------------------|---|---------------------------------|
| STATE OF ALASKA, |) | |
| |) | Court of Appeals No. A-6022 |
| Petitioner, |) | Trial Court Nos. 1KE-95-6437 Cr |
| |) | and others |
| v. |) | |
| |) | <u>OPINION</u> |
| DISTRICT COURT, |) | |
| |) | |
| Respondent. |) | [No. 1504 - December 6, 1996] |

Original Application for Relief from the District Court in various locations within the First and Third Judicial Districts; Patricia A. Collins, Judge, and Deborah Burlinski, Lynn Christensen, Anna Moran, and Ethan Windahl, Magistrates.

Appearances: Kenneth M. Rosenstein, Assistant Attorney General, Office of Special Prosecutions and Appeals, Anchorage, and Bruce M. Botelho, Attorney General, Juneau, for Petitioner. Nancy Shaw, Anchorage, for Respondent.

Before: Bryner, Chief Judge, and Coats and Mannheim, Judges.

MANNHEIMER, Judge.

With a few exceptions not relevant here, Alaska law forbids people under the age of 21 from drinking or possessing alcoholic beverages. AS 4.16.050(a). If a person between the ages

The other trial court file numbers are: 3KO-95-587 Cr, 3KO-95-588 Cr, 3KO-95-589 Cr., USO 4590, R 836-956, R 836-957, and

of 13 and 17 is convicted of this offense, the sentencing court ~~must~~ revoke their driver's license (or revoke their privilege to obtain a license, if they do not yet have one). AS 28.15.185(a)-(b). The question presented in this appeal is whether, because the offense carries this penalty, minors charged with under-age drinking or possession of alcohol are entitled to a jury trial and to court-appointed counsel if they are indigent. Based on our supreme court's decision in Baker v. Fairbanks, 471 P.2d 386 (Alaska 1970), we hold that minors charged with this offense are entitled to a jury trial and to court-appointed counsel.

In Baker, the supreme court defined the categories of cases that qualify as "criminal prosecutions" for purposes of applying the right to jury trial under Article I, Section 11 of the Alaska Constitution.¹ The court stated, in pertinent part:

In extending the right to jury trial, we define the category of "criminal" prosecutions as including any offense [which carries] a direct penalty [of] incarceration in a jail or penal institution. [This category] also includes offenses which may result in the loss of a valuable license, such as a driver's license or a license to pursue a common calling, occupation, or business.

Baker, 471 P.2d at 402. Thus, Baker apparently requires a jury trial in any criminal case in which the defendant could lose their driver's license.

¹ Article I, Section 11 provides: "In all criminal prosecutions, the accused shall have the right to ... trial ... by an impartial jury of twelve, except that the legislature may provide for a jury of not more than twelve nor less than six in courts not of record." (That is, in the district court.)

The State argues that Baker should not be interpreted literally. The State points out that the supreme court has repeatedly held that there is no right to a jury trial in administrative hearings which might result in loss of a valuable license. See Alaska Board of Fish and Game v. Loesche, 537 P.2d 1122, 1125 (Alaska 1975) (loss of license to guide hunts); In re Cornelius, 520 P.2d 76, 83 (Alaska 1974) (loss of license to practice law). However, Loesche and Cornelius dealt with administrative proceedings conducted by regulatory bodies. The task of those regulatory bodies is to oversee and police a particular business or occupation, not to enforce the criminal law. Even when a regulatory agency takes administrative action based on a licensee's commission of a crime, this is not a "prosecution". The licensee can still be criminally prosecuted in the courts for the same conduct. State v. Zerkel, 900 P.2d 744 (Alaska App. 1995).

We note that the Alaska statutes require the Department of Public Safety to take administrative action against the driver's license of a minor found drinking or possessing liquor. See AS 28.15.183-184. These provisions are, on their face, remedial measures. However, in the present appeal we are dealing with a different statute, AS 28.15.185. This statute is clearly a punitive measure: it specifies a particular punishment that a sentencing court must impose when, in court proceedings, a person is found guilty of a particular criminal offense.

The State argues that it makes essentially no difference whether a person's driver's license is taken by a sentencing court or by an administrative agency. According to the State, the

rationale for imposing this sanction is the same: the minor has demonstrated unfitness to drive. Thus, the State contends, the act of revoking the minor's driver's license is "remedial", not "punitive", regardless of whether the revocation is imposed by a sentencing court or by the Department of Public Safety.

We reject the State's argument because the supreme court's holding in Baker is explicitly based on the distinction between loss of a driver's license in an administrative proceeding and loss of a license as part of a criminal sentence. The court expressly stated that the right to a jury trial would apply only to criminal prosecutions, not to administrative proceedings, even though both might result in the loss of a driver's license. The court distinguished administrative proceedings from criminal prosecutions because an agency's action against a license is based on "criteria other than criminality", on "considerations [apart from] guilt or innocence of crime". Baker, 471 P.2d at 402 n.28.

In the present appeal, we deal with a statute that comes into play only when, and solely because, a person has been found guilty of violating a criminal statute. Baker holds that a person facing the loss of a valuable license under such a statute is entitled to a jury trial.

We therefore AFFIRM the decisions of the district court extending the right of jury trial to minors accused of under-age drinking or possession of alcohol. And, based on the same analysis, we AFFIRM the decisions of the district court requiring court-appointed counsel for indigents accused of this crime. See Alexander v. Anchorage, 490 P.2d 910, 913 (Alaska 1971) (holding

that the right to counsel extends to all "criminal prosecutions" as defined in Baker).

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 58

Revision Date: _____ Dept. Affected: Department of Law
 Title: "... relating to the privilege to drive of BRU: Criminal Division
minors ... penalties for the consumption ... of alcoholic beverag Component: Criminal Division
 Sponsor: Senator Taylor
 Requester: Senate HESS Committee COMPONENT SERIAL NO. 2085

Expenditures/Revenues (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| PERSONAL SERVICES | 107.5 | 107.5 | 107.5 | 107.5 | 107.5 | 107.5 |
| TRAVEL | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| CONTRACTUAL | 16.0 | 16.0 | 16.0 | 16.0 | 16.0 | 16.0 |
| SUPPLIES | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| EQUIPMENT | 6.5 | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 133.5 | 127.0 | 127.0 | 127.0 | 127.0 | 127.0 |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

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

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 133.5 | 127.0 | 127.0 | 127.0 | 127.0 | 127.0 |
| 1005 GF/Program Receipts | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | 133.5 | 127.0 | 127.0 | 127.0 | 127.0 | 127.0 |

Estimate of any current year (FY97) cost: \$ 0.0

POSITIONS

| | | | | | | |
|-----------|-----|-----|-----|-----|-----|-----|
| FULL-TIME | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

SB 58 provides that a minor convicted for the first time of minor consuming alcohol in violation of AS 04.16.050 must pay a fine of \$250. SB 58 also provides that it is a class A misdemeanor for the second and subsequent offenses of minor consuming alcohol in violation of AS 04.16.050. The bill repeals the provision for court revocation of a driver's license upon conviction of minor consuming alcoholic beverages under state or municipal law. Administrative revocation would remain unaffected.

Making it a class A misdemeanor for the second and subsequent offenses of minor consuming alcoholic beverages gives rise to the right to a jury trial and court appointed counsel. Information contained in the fiscal note to the bill which decriminalized minor consuming, indicates that in FY 94 there were 3,500 minors who lost their operator's license as a result of minor consuming of alcohol. We estimate that about 1,200 or one-third of those cases of minor consuming will be filed for second or subsequent offenses. We further estimate that about 5 percent of that number of cases will be tried. The resulting 60 jury trials will require one new Attorney III position, to be placed in the Anchorage District Attorney's

Prepared by: Joan M. Kasson *Joan M. Kasson* Phone: 465-5370
 Division: Administrative Services Division Date: 3/4/97
 Approved by Commissioner: Bruce M. Rotelho, Attorney General Date: 3/4/97
 Agency: Department of Law

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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 58

ANALYSIS CONTINUATION:

Office.

Using the department's standard attorney cost, the fiscal impact from this legislation would be \$127,000. This cost includes clerical support, communications, space, supplies, data processing, and other normal overhead expenses. The standard cost does not include one-time new equipment purchases, and \$6,500 is added for this purpose in FY 98. Please note that although no clerical support position is being added, proportionate support position funding is included in the standard attorney cost schedule to reduce clerical support vacancy so that the new attorney's clerical burden can be handled.

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 58

Revision Date: _____

Department Affected: Administration

Title: "An Act relating to the privilege to drive of minors and to the penalty for the consumption or possession of alcoholic beverages by persons under 21 years of age."

BRU: Public Defender Agency

Component: Public Defender Agency

Sponsor: Sen Taylor

COMPONENT SERIAL NO. 1631

Requestor: (S)HESS

EXPENDITURES / REVENUES: (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|------------------------|----------------|--------------|--------------|--------------|--------------|--------------|
| PERSONAL SERVICES | 201.2 | 201.2 | 201.2 | 201.2 | 201.2 | 201.2 |
| TRAVEL | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 |
| CONTRACTUAL | 35.1 | 35.1 | 35.1 | 35.1 | 35.1 | 35.1 |
| SUPPLIES | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 |
| EQUIPMENT | 0.0 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| LAND & STRUCTURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| GRANTS, CLAIMS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MISCELLANEOUS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL OPERATING | 248.0.0 | 249.5 | 249.5 | 249.5 | 249.5 | 249.5 |

| | | | | | | |
|-----------------------------|-------------|------------|------------|------------|------------|------------|
| CAPITAL EXPENDITURES | 15.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|-----------------------------|-------------|------------|------------|------------|------------|------------|

| | | | | | | |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| CHANGE IN REVENUES () | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|-------------------------------|------------|------------|------------|------------|------------|------------|

FUND SOURCE: (Thousands of Dollars)

| | | | | | | |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 263.0 | 249.5 | 249.5 | 249.5 | 249.5 | 249.5 |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| OTHER | | | | | | |
| TOTAL | 263.0 | 249.5 | 249.5 | 249.5 | 249.5 | 249.5 |

Estimate of any current year (FY 97) cost: \$ 0.0

POSITIONS:

| | | | | | | |
|-----------|-----|-----|-----|-----|-----|-----|
| FULL-TIME | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS: (Attach a separate page if necessary.)

This bill would make a second or subsequent minor consuming alcohol a Class A Misdemeanor. This would result in an increased caseload for the Public Defender Agency. Currently, minor consuming alcohol is a violation, and the minor does not have a right to a public defender. (However, it should be noted that the Alaska Court of Appeals in State v. District Court, Opinion No. 1504 (December 6, 1996), decided that the drivers license revocation penalties for minor consuming made the offense "criminal," and the defendant had a right to court-appointed counsel.) Assuming 1200 new misdemeanor cases per year, 3 additional attorneys would be required as well as necessary travel, contractual, supplies, and equipment.

Prepared by: Barbara K Brink, Director
Division: Public Defender Agency

Phone: (907) 264-4414
Date: _____

Approved by Commissioner: Mark Boyer
Agency: Department of Administration

Alison M. Glaze
Date: 3/5/97

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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO: SB 58

Revision Date: _____ Dept. Affected: Public Safety
 Title: Minor Consuming BRU: Alaska State Troopers
 Component: Detachments
 Sponsor: Sen. Taylor
 Requestor: S. HESS COMPONENT SERIAL NO. 0799

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

| OPERATING | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | -0- | -0- | -0- | -0- | -0- | -0- |
| CAPITAL | -0- | -0- | -0- | -0- | -0- | -0- |
| CHANGE IN REVENUES () | -0- | -0- | -0- | -0- | -0- | -0- |
| Revenue Code | | | | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|-----------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- |

Estimate of current year (FY 97) impact: \$ _____

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

This bill may cause some increase in the number of minor consuming cases that go to trial and may cause some additional paperwork to be required in some cases, however, it is not expected to a significant fiscal impact on AST.

Prepared By: Capt. Ted M. Bachman Phone: 269-5650
 Division: Alaska State Troopers Date: 03/05/97
 Approved by Commissioner: Ronald L. Otte *Doel Smith* Date: 3/5/97
 Agency: Department of Public Safety

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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO: SB 58

Revision Date: _____ Dept. Affected: Public Safety
 Title: Minor Consuming BRU: Motor Vehicles
 Component: Driver Services
 Sponsor: Sen. Taylor
 Requestor: S. HESS COMPONENT SERIAL NO. 0500

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

| | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|---|-------|-------|-------|-------|-------|-------|
| OPERATING | | | | | | |
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS. CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | -0- | -0- | -0- | -0- | -0- | -0- |
| CAPITAL | -0- | -0- | -0- | -0- | -0- | -0- |
| CHANGE IN REVENUES () Revenue Code | -0- | -0- | -0- | -0- | -0- | -0- |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|-----------------------|-----|-----|-----|-----|-----|-----|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- |

Estimate of current year (FY 97) impact: \$ _____

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

This bill is not expected to have any fiscal impact on DMV.

Prepared By: Juanita M. Hensley Phone: 465-2650
 Division: Motor Vehicles Date: 3/5/96
 Approved by Commissioner: Ronald L. Otte Date: 3/5/97
 Agency: Department of Public Safety

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Revision Date: 02/03/97
 Title: Relating to the privilege to drive of minors
and penalties for consuming alcohol
 Sponsor: Sen. Taylor
 Requestor: (S) HESS

Dept. Affected: Health and Social Services
 BRU: Alcohol and Drug Abuse Services
 Component: ASAP
 COMPONENT SERIAL NO. 305
 See also (SN#): _____

Expenditures/Revenues:

(Thousands of Dollars)

| OPERATING | FY98 | FY99 | FY00 | FY01 | FY02 | FY03 |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------|--|--|--|--|--|--|
| CHANGES IN REVENUES () | | | | | | |
|-------------------------|--|--|--|--|--|--|

FUND SOURCE

(Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (please specify) | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of any current year (FY97) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal cost to this bill.

Prepared by: Loren Jones
 Division: Alcoholism and Drug Abuse
 Approved by Commissioner: Karen Perdue, Commissioner
 Agency: Department of Health & Social Services

Phone: 465-2071
 Date: 02/03/97
 Date: 2/3/97

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1997 LEGISLATIVE SESSION

Revision Date: March 26, 1997

Dept. Affected: Public Safety

Title: Minor Consuming Alcohol: Penalty

DPS Statewide Support

Component: Commissioner's Office

Sponsor: Senator Taylor

Requestor: S. HESS

COMPONENT SERIAL NO. 0523

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

| OPERATING | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | -0- | -0- | -0- | -0- | -0- | -0- |
| CAPITAL EXPENDITURES | -0- | -0- | -0- | -0- | -0- | -0- |
| CHANGE IN REVENUES () | -0- | -0- | -0- | -0- | -0- | -0- |
| Code Revenue | | | | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|--------------------------|-----|-----|-----|-----|-----|-----|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- |

Estimate of current year (FY 97) impact: \$ _____

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

No fiscal impact is anticipated to the Department of Public Safety

Prepared By: Sandy Perry-Provost, Special Assistant to the Commissioner

Phone: 465-4322

Division: Commissioner's Office

Date: 3/26/97

Approved by Commissioner: *Ronald L. Otte*

Date: 3/26/97

Agency: Ronald L. Otte, Dept. of Public Safety

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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. CS SC 58 (HES)

Revision Date: 03/17/97
 Title: Relating to issuance, suspension, limitation
revocation, and reinstatement of driver's license...
 Sponsor: Sen. Taylor
 Requestor: Senate HES

Dept. Affected: Health and Social Services
 BRU: Alcohol and Drug Abuse Services
 Component: ADA Admin
 COMPONENT SERIAL NO. _____
 See also (SN#): #302

Expenditures/Revenues:

(Thousands of Dollars)

| OPERATING | FY98 | FY99 | FY00 | FY01 | FY02 | FY03 |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| PERSONAL SERVICES | 92.0 | 95.0 | 98.0 | 101.0 | 104.0 | 107.0 |
| TRAVEL | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| CONTRACTUAL | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| SUPPLIES | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| EQUIPMENT | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 100.0 | 103.0 | 106.0 | 109.0 | 112.0 | 115.0 |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

| | | | | | | |
|---------------------|--|--|--|--|--|--|
| CHANGES IN REVENUES | | | | | | |
|---------------------|--|--|--|--|--|--|

FUND SOURCE

| | | | | | | |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 100.0 | 103.0 | 106.0 | 109.0 | 112.0 | 115.0 |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (please specify) | | | | | | |
| TOTAL | 100.0 | 103.0 | 106.0 | 109.0 | 112.0 | 115.0 |

POSITIONS:

| | | | | | | |
|-----------|---|---|---|---|---|---|
| FULL-TIME | 2 | 2 | 2 | 2 | 2 | 2 |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of any current year (FY97) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

See attached.

3/15/97

Prepared by: *Loren A. Jones*
 Division: Alcoholism and Drug Abuse

Approved by Commissioner: *Katherine Perdue*
 Agency: Department of Health & Social Services

Phone: 465-2071
 Date: 03/17/97

Date: 3/15/97

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ANALYSIS (cont.):

This bill would transfer to the Division of Alcoholism and Drug Abuse the responsibility for the approval of alcohol information courses (Alcohol Information Schools (AIS)) for all persons needing such a course as a result of alcohol related crimes, primarily minor consuming, minor in possession and driving while intoxicated. Currently all such AIS classes also contain a driver improvement section and are targeted primarily at adults.

The current curriculum being used has not been reviewed and updated in many years. There are no outcomes or expectations for the AIS (other than to not have repeated the criminal behavior) or for the impact on the individual. It is time that this was updated and specific outcomes and expectations be established.

With the passage of the "Use It and Lose It" law there has been a dramatic increase in the number of minors losing their drivers license and being required to complete an AIS or treatment in order to have their license re-instated. This new law has shown a significant gap in our ability to respond appropriately and to assure that the education received is of value and will result in positive outcomes for the youth. We have attached several charts which shows the number of revocations for the last two calendar years.

A number of these youth, like adults, may need more than an AIS to address their needs. In reviewing the number of minors losing their driver's license the number of second or more offenders is about equal to the first time loss. This would indicate that the law, in and of itself is not stopping repeat offenses. An age appropriate AIS will have an impact but we know that for some persons additional services may be needed.

The Division also feels that to provide appropriate AIS a different curriculum and teaching method is needed for minors. The Division will locate and/or develop an appropriate model for adult and youth Alcohol/Drug Information School (AIS). These courses would be age appropriate and meet the needs of DMV for driving related issues. There will be a different response for the 18-20 year olds than for those under age 18. One major difference will be information on inhalants for the under 18 age group.

The Division of Alcoholism and Drug Abuse would establish a set of policy guidelines and outcomes for communities to use in developing a local approach to establishing the appropriate entry program for these minors. This would include policies on defining appropriate assessment, referral, defining compliance and completion of appropriate services, and evaluation standards for the program. Thus those who need only AIS would be sent in the correct direction and those who need additional services would also get those.

These policies would include the role of partnership with schools for alternative to suspension programs, for working with courts, working with youth probation, and with local treatment agencies. We would need to address differences for rural villages. We would need to address development of a community based prevention and intervention services.

The Division would require two new positions consisting of 1 probation officer and 1 clerical staff for program & policy development, quality assurance of the AIS classes and staff support. This staff would write the P&P, Regulations and monitor compliance of the AIS providers and the local agencies providing the services.

The Division would propose using the \$400,000 to fund local programs via a competitive process under AS 47.30.470 - AS 47.30.500, which is our grant-in-aid process. In the competitive process we would seek to reach three main objectives: award funds to communities that have a collaborative plan to address the specific needs in their community; assure that the agency receiving the grant will be able to achieve the stated goals; and assure that the funds went to communities with the greatest need.

Data from the Division of Motor Vehicles (CY 1995 and CY 96) show the large majority of minors losing their driver's license occurred in Anchorage, Fairbanks, Juneau, Soldotna, Ketchikan, Sitka and Mat-Su (Palmer and Wasilla). These would be areas in which we would target funding if the other two goals are met.

All Requests for Proposals for substance abuse services should require proposers to specifically discuss prevention strategies either available in the program or in the community. These strategies need to reflect a community-based, risk reduction model and incorporate "best practice" models as supported by the research.

ANALYSIS (cont.):

There needs to be a targeted prevention effort in rural areas of Alaska dealing with inhalant abuse. This would help us get a prevention message out about alcohol and drugs as inhalants tend to be used by youth at an age prior to first use of alcohol or drugs.

The revenue generated from the increase in the mandatory fines would provide the increase in funds to pay for this new service. In discussions with the Alaska Court System and the Department of Public Safety and Division of Motor Vehicles it is estimated that 2,000 youth would actually be convicted of minor consuming or minor in possession. This would generate the revenue needed to put in place programs that would reduce the number of offenders.

The data on the attached charts are taken from the the Division of Motor Vehicles administrative revocation of the driver's license. Not all these youth have been convicted in court of the offenses as the loss of the driver's license is an administrative procedure.

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. CS SB 58 (HES)

Revision Date: 03/17/97
 Title: Relating to issuance, suspension, limitation
 revocation, and reinstatement of driver's license...
 Sponsor: Sen. Taylor
 Requestor: Senate HES

Dept. Affected: Health and Social Services
 BRU: Alcohol and Drug Abuse Services
 Component: CAASA
 COMPONENT SERIAL NO. _____
 See also (SN#): #1413

Expenditures/Revenues:

(Thousands of Dollars)

| OPERATING | FY98 | FY99 | FY00 | FY01 | FY02 | FY03 |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| PERSONAL SERVICES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TRAVEL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CONTRACTUAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| SUPPLIES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EQUIPMENT | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

| | | | | | | |
|---------------------|--|--|--|--|--|--|
| CHANGES IN REVENUES | | | | | | |
|---------------------|--|--|--|--|--|--|

FUND SOURCE

| | | | | | | |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (please specify) | | | | | | |
| TOTAL | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 |


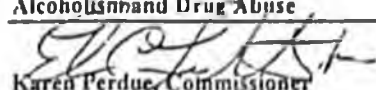
POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of any current year (FY97) cost: 50.0

ANALYSIS: (Attach a separate page if necessary)

See attached


 Prepared by: Loren A. Jones
 Division: Alcohol and Drug Abuse

 Approved by Commissioner: Karen Perdue, Commissioner
 Agency: Department of Health & Social Services

Phone: 465-2071
 Date: 03/17/97
 Date: 3/18/97

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ANALYSIS (cont.):

This bill would transfer to the Division of Alcoholism and Drug Abuse the responsibility for the approval of alcohol information courses (Alcohol Information Schools (AIS)) for all persons needing such a course as a result of alcohol related crimes, primarily minor consuming, minor in possession and driving while intoxicated. Currently all such AIS classes also contain a driver improvement section and are targeted primarily at adults.

The current curriculum being used has not been reviewed and updated in many years. There are no outcomes or expectations for the AIS (other than to not have repeated the criminal behavior) or for the impact on the individual. It is time that this was updated and specific outcomes and expectations be established.

With the passage of the "Use It and Lose It" law there has been a dramatic increase in the number of minors losing their drivers license and being required to complete an AIS or treatment in order to have their license re-instated. This new law has shown a significant gap in our ability to respond appropriately and to assure that the education received is of value and will result in positive outcomes for the youth. We have attached several charts which shows the number of revocations for the last two calendar years.

A number of these youth, like adults, may need more than an AIS to address their needs. In reviewing the number of minors losing their driver's license the number of second or more offenders is about equal to the first time loss. This would indicate that the law, in and of itself is not stopping repeat offenses. An age appropriate AIS will have an impact but we know that for some persons additional services may be needed.

The Division also feels that to provide appropriate AIS a different curriculum and teaching method is needed for minors. The Division will locate and/or develop an appropriate model for adult and youth Alcohol/Drug Information School (AIS). These courses would be age appropriate and meet the needs of DMV for driving related issues. There will be a different response for the 18-20 year olds than for those under age 18. One major difference will be information on inhalants for the under 18 age group.

The Division of Alcoholism and Drug Abuse would establish a set of policy guidelines and outcomes for communities to use in developing a local approach to establishing the appropriate entry program for these minors. This would include policies on defining appropriate assessment, referral, defining compliance and completion of appropriate services, and evaluation standards for the program. Thus, those who need only AIS would be sent in the correct direction and those who need additional services would also get those.

These policies would include the role of partnership with schools for alternative to suspension programs, for working with courts, working with youth probation, and with local treatment agencies. We would need to address differences for rural villages. We would need to address development of a community based prevention and intervention services.

The Division would require two new positions consisting of 1 probation officer and 1 clerical staff for program & policy development, quality assurance of the AIS classes and staff support. This staff would write the P&P, Regulations and monitor compliance of the AIS providers and the local agencies providing the services.

The Division would propose using the \$400,000 to fund local programs via a competitive process under AS 47.30.470 - AS 47.30.500, which is our grant-in-aid process. In the competitive process we would seek to reach three main objectives: award funds to communities that have a collaborative plan to address the specific needs in their community; assure that the agency receiving the grant will be able to achieve the stated goals; and assure that the funds went to communities with the greatest need.

Data from the Division of Motor Vehicles (CY 1995 and CY 96) show the large majority of minors losing their driver's license occurred in Anchorage, Fairbanks, Juneau, Soldotna, Ketchikan, Sitka and Mat-Su (Palmer and Wasilla). These would be areas in which we would target funding if the other two goals are met.

All Requests for Proposals for substance abuse services should require proposers to specifically discuss prevention strategies either available in the program or in the community. These strategies need to reflect a community-based, risk reduction model and incorporate "best practice" models as supported by the research.

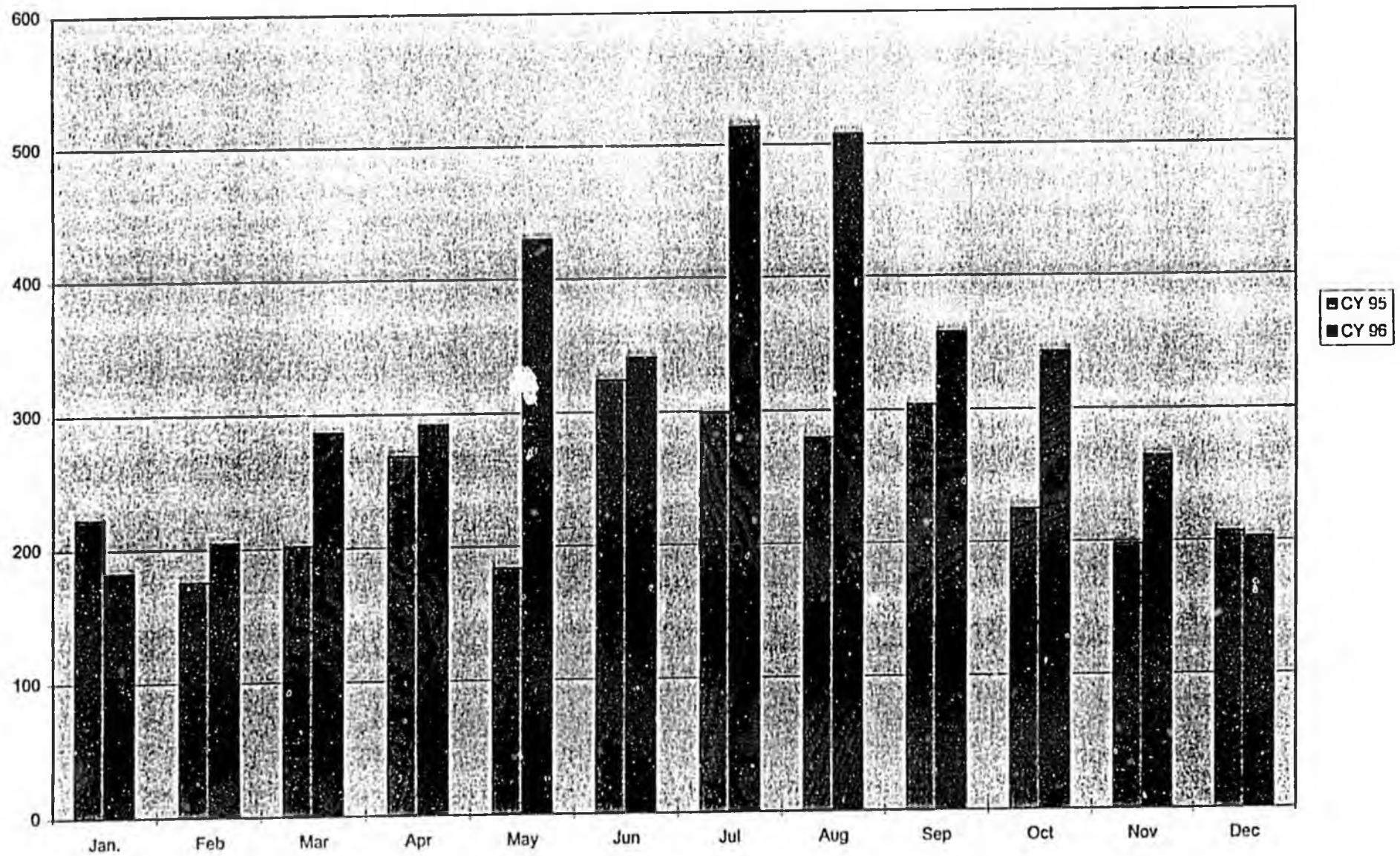
ANALYSIS (cont.):

There needs to be a targeted prevention effort in rural areas of Alaska dealing with inhalant abuse. This would help us get a prevention message out about alcohol and drugs as inhalants tend to be used by youth at an age prior to first use of alcohol or drugs.

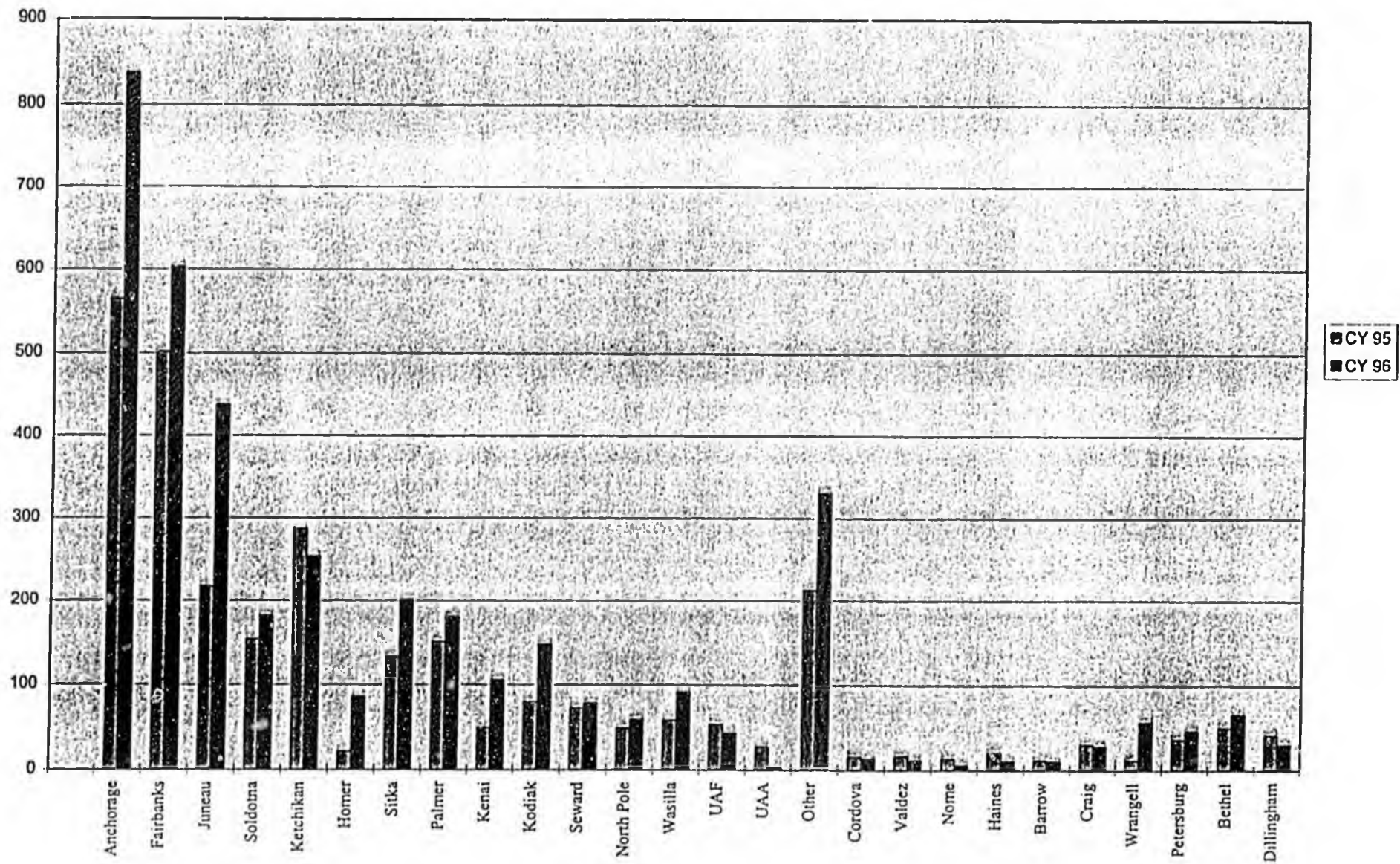
The revenue generated from the increase in the mandatory fines would provide the increase in funds to pay for this new service. In discussions with the Alaska Court System and the Department of Public Safety and Division of Motor Vehicles it is estimated that 2,000 youth would actually be convicted of minor consuming or minor in possession. This would generate the revenue needed to put in place programs that would reduce the number of offenders.

The data on the attached charts are taken from the the Division of Motor Vehicles administrative revocation of the driver's license. Not all these youth have been convicted in court of the offenses as the loss of the driver's license is an administrative procedure.

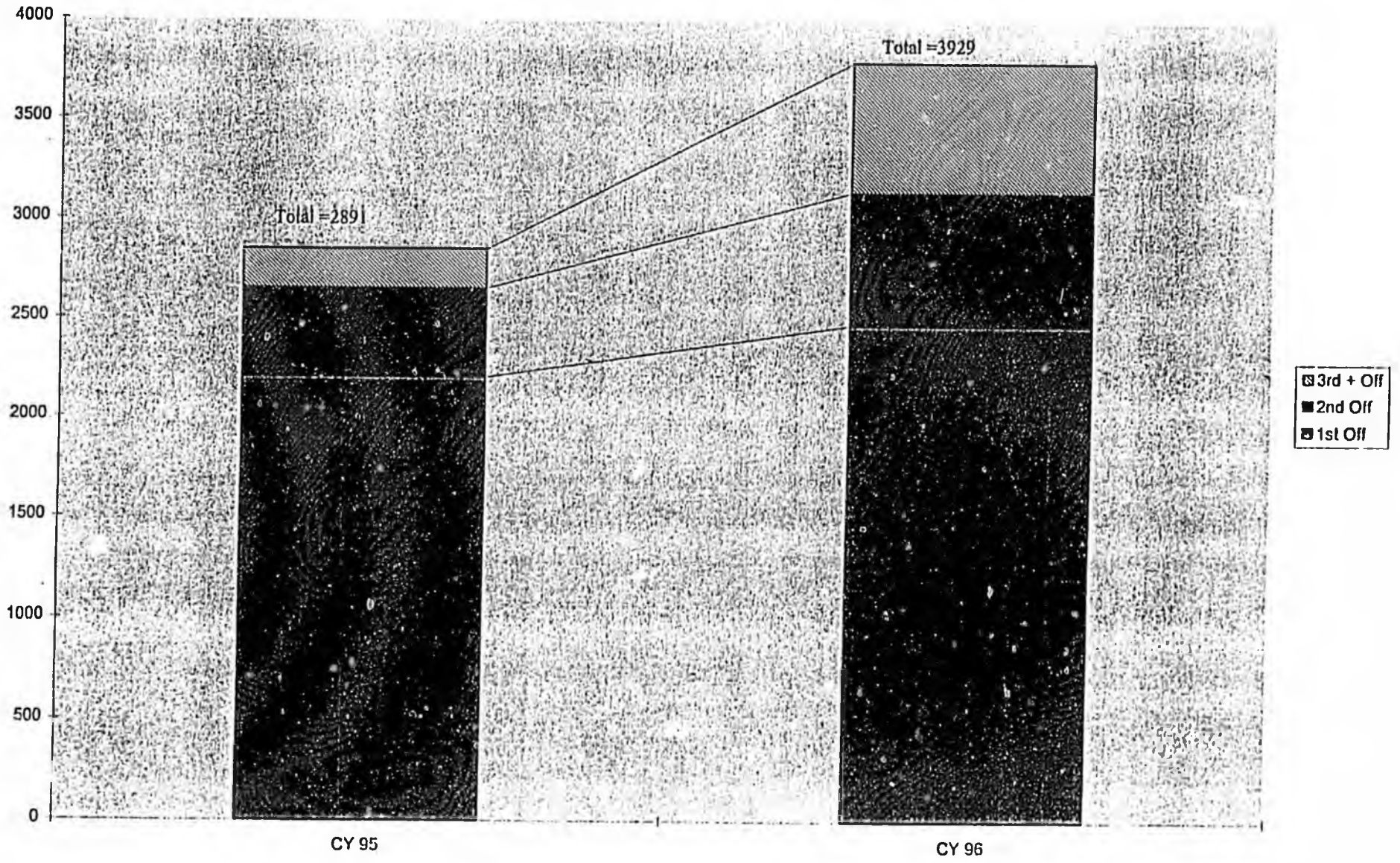
Number Youth Who Lost Drivers License Due to "Use It and Lose It" Law by Month for CY 1995 and CY 1996



Number of Youth Who Lost Drivers License Due to "Use It and Lose It" Law by Community for CY 1995 and CY 1996



Comparison of the Number of Repeat Offenses In CY 95 and CY 96



SB

61

Revision Date: _____ Dept. Affected: Revenue
 Title: Increase Tobacco Taxes BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Senator Ellis
 Requestor: (S) HES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| PERSONAL SERVICES | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| TRAVEL | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| CONTRACTUAL | 6.5 | 1.5 | 1.5 | 1.8 | 1.5 | 1.5 |
| SUPPLIES | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| EQUIPMENT | 4.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 41.5 | 32.6 | 32.6 | 32.8 | 32.6 | 32.6 |
| CAPITAL EXPENDITURES | | | | | | |
| CHANGE IN REVENUES | 33,506.8 | 50,260.3 | 50,260.3 | 50,503.3 | 50,503.3 | 50,737.6 |

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 41.5 | 32.5 | 32.5 | 32.8 | 32.5 | 32.5 |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other | | | | | | |
| TOTAL | 41.5 | 32.6 | 32.6 | 32.8 | 32.6 | 32.6 |

Estimate of any current year (FY97) cost \$ 0

POSITIONS:

| | | | | | |
|-----------|--|--|--|--|--|
| FULL-TIME | | | | | |
| PART-TIME | | | | | |
| TEMPORARY | | | | | |

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Brett Fried, Economist Phone: 465-3682
 Division: Income and Excise Audit Division Date: February 3, 1997
 Approved by Commissioner: Wilson L. Condon Date: February 4, 1997
 Agency: Department of Revenue

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**Alaska Department of Revenue
Income and Excise Audit Division**

Increase Tobacco Taxes
SB 61
0-LS0276\A
February 3, 1997
Page 2 of 4

DRAFT BILL ANALYSIS

Section 1 describes the health benefits of an increase in the excise tax rate on cigarette and tobacco products.

Section 2 increases the School Fund portion of the cigarette tax rate by \$1.20 per pack of 20; from 2.5 mills per cigarette (\$.05 per pack) to 65 mills per cigarette (\$1.25 per pack). Combining this rate with the 12 mills per cigarette (\$.24 per pack) levied under AS 43.50.190, which goes to the General Fund, the total tax rate on a pack of cigarettes would increase from \$.29 to \$1.54.

Section 3 This section only takes effect if section 2 of this act is ruled unconstitutional (see section 10). If so, the statute would be amended back to how it was prior to the bill passage.

Section 4 This section only takes effect if section 2 is ruled unconstitutional (see section 10). If so, this section increases the General Fund portion of the cigarette tax rate by \$1.25 per pack of 20; from 12 mills per cigarette (\$.24 per pack) to 74.5 mills per cigarette (\$1.49 per pack). Combining this rate with the 2.5 mills per cigarette (\$.05 per pack) levied under AS 43.50.090, which is dedicated to the School Fund, the total tax rate on a pack of cigarettes would increase from \$.29 to \$1.29.

Section 5 increases the tobacco products tax rate from 25% to 100% of the wholesale price of the tobacco products.

Section 6 creates a separate account (tobacco control and health promotion) for disposition of revenue derived from the increase from 25 to 100 percent of the wholesale prices of tobacco products.

Section 7 adds a new subsection to AS 43.50.350 to specifically differentiate the account set up under section 6 from a dedicated fund.

Section 8 adds a new section under AS 43.50 (AS 43.50.365) to increase the tobacco product tax rate applied to the wholesale price by the Anchorage CPI on July 1 of each even numbered year. The starting point of the index is January 1, 1998.

Alaska Department of Revenue
Income and Excise Audit Division

Increase Tobacco Taxes
SB 61
0-LS0276VA
February 3, 1997
Page 3 of 4

Section 9 requires public notice at the time of a change in tax rates under AS 43.50.365.

Section 10 establishes an effective date of October 1, 1997 for sections 1, 2, and 5-9 of this Act.

Section 11 establishes an effective date of which ever of the following comes later: (1) when a court enters a final judgement that the amendment under section 1 of this act is unconstitutional or (2) when the time for appeal has expired or upon entry of a final order on the appeal that section 1 is unconstitutional.

OPERATING EXPENDITURES

Department of Revenue is requesting operating funds to cover ½ the costs of a Revenue Auditor III position. With such a large increase in taxes due the state (increase from \$17 to \$67 million annually), the department anticipates increased taxpayer noncompliance.

With significantly higher levels of tax, it is possible that taxpayers will look for loopholes or other methods of tax avoidance. This ½ position will be responsible for ensuring that all taxpayers are identified and that taxpayers are filing and paying the proper amount of tax. The projected annual salary costs for the ½ portion of this position comes to \$30.0.

The department is also requesting one time FY 98 funding of \$5.0 for contractual funds to cover costs of public notice of rate increases, forms revisions and postage, and \$4.0 for equipment (\$3.5 for computer costs and \$.5 for office equipment). The recurring costs will be \$2.5 to cover travel, contractual and supplies, except for FY 01 where an addition \$.3 will be necessary to cover public notice of the tax rate increase.

REVENUE COLLECTED

The attached spreadsheet details revenue projections from rate increases in this bill.

Alaska Department of Revenue
Income and Excise Audit Division
Projected Revenue Increases from Change in Tobacco Tax Rates

Increase Tobacco Taxes
 SB 61
 O-LS0276A
 February 3, 1997
 Page 4 of 4

| | FY 98* | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 |
|------------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Cigarettes | | | | | | | |
| <i>Elasticity Factor</i> | -23.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Consumption (packs of cigarettes) | 26,974,793 * | 40,462,191 | 40,462,191 | 40,462,191 | 40,462,191 | 40,462,191 | 40,462,191 |
| Rate | \$1.54 | \$1.54 | \$1.54 | \$1.54 | \$1.54 | \$1.54 | \$1.54 |
| Cigarette Tax | \$41,541,182 | \$62,311,774 | \$62,311,774 | \$62,311,774 | \$62,311,774 | \$62,311,774 | \$62,311,774 |
| Less 1.0% Commission | (415,412) | (623,118) | (623,118) | (623,118) | (623,118) | (623,118) | (623,118) |
| Net Cigarette Tax | \$41,125,770 | \$61,688,657 | \$61,688,657 | \$61,688,657 | \$61,688,657 | \$61,688,657 | \$61,688,657 |
| FY 97 Projected Cigarette Tax | (10,083,937) * | (15,125,905) | (15,125,905) | (15,125,905) | (15,125,905) | (15,125,905) | (15,125,905) |
| Net Cigarette Tax Increase | \$31,041,833 | \$46,662,762 | \$46,662,762 | \$46,662,762 | \$46,662,762 | \$46,662,762 | \$46,662,762 |
| Increase to School Fund | \$31,041,833 | \$46,662,762 | \$46,662,762 | \$46,662,762 | \$46,662,762 | \$46,662,762 | \$46,662,762 |
| Tobacco Products | | | | | | | |
| <i>Elasticity Factor</i> | -18.3% | 0.0% | 0.0% | -19.0% | 0.0% | -20.7% | 0.0% |
| Consumption (Whole. Pr. 1996 \$) | \$3,591,648 * | \$5,387,473 | \$5,387,473 | \$5,314,097 | \$5,314,097 | \$5,240,722 | \$5,240,722 |
| Rate | 100% | 100% | 100% | 106% | 106% | 112% | 112% |
| Tobacco Products Tax | \$3,591,648 | \$5,387,473 | \$5,387,473 | \$5,632,943 | \$5,632,943 | \$5,869,609 | \$5,869,609 |
| Less 1.0% Commission | (35,916) | (53,875) | (53,875) | (56,329) | (56,329) | (58,696) | (58,696) |
| Net Tobacco Products Tax | \$3,555,732 | \$5,333,598 | \$5,333,598 | \$5,576,614 | \$5,576,614 | \$5,810,912 | \$5,810,912 |
| FY 97 Projected Tob. Prod. Tax | (1,090,715) | (1,636,073) | (1,636,073) | (1,636,073) | (1,636,073) | (1,636,073) | (1,636,073) |
| Net Tobacco Prod. Tax Increase | \$2,465,018 | \$3,697,526 | \$3,697,526 | \$3,940,541 | \$3,940,541 | \$4,174,839 | \$4,174,839 |
| Tob. Con. & Health Pro. Account | \$2,465,018 | \$3,697,526 | \$3,697,526 | \$3,940,541 | \$3,940,541 | \$4,174,839 | \$4,174,839 |
| Cigarette and Tob. Products | | | | | | | |
| Net Cigarette and Tobacco Tax | \$44,681,602 * | \$67,022,256 | \$67,022,256 | \$67,944,718 | \$67,944,718 | \$68,181,383 | \$68,181,383 |
| Net Cig. and Tob. Increase | \$33,606,850 * | \$50,260,277 | \$50,260,277 | \$50,603,292 | \$50,603,292 | \$50,737,691 | \$50,737,691 |

*Note: The bill's effective date results in the tax increase covering 8 months in FY 98.

ALASKA STATE LEGISLATURE

Senate Health, Education and
Social Services Committee

Senate Judiciary Committee

Department of Health and Social
Services Budget Subcommittee

Department of Law
Budget Subcommittee

While in Session
State Capitol, Rm. 9
Juneau, Alaska 99801
(907) 465-3704
fax: (907) 465-2529

While in Anchorage
716 West 4th Ave., Ste. 440
Anchorage, Alaska 99501
(907) 258-8182
fax: (907) 258-5571

SENATOR JOHNNY ELLIS

SPONSOR STATEMENT SENATE BILL 61

Senate Bill 61 would raise the excise tax on tobacco. This proposal is designed to provide more revenues to more effectively offset the costs of tobacco-induced diseases, and to keep people from forming tobacco addictions at an early age.

Tobacco use is the single most preventable cause of premature death and crippling disease in the United States, and Alaska nearly tops the national list for smoking-related deaths. Twenty-eight percent of Alaskan adults smoke cigarettes regularly as compared to the national median of twenty-two percent. Nearly eighty-four percent of Alaskan adults who smoke started between the ages of 10 and 20 years old. These statistics provide compelling reasons to bring Alaska's tobacco taxes up to a level that corresponds to the rate of tobacco abuse in Alaska.

The current tax on cigarettes is \$.29 per pack. Under this proposal, cigarettes would be taxed at a rate of 65 mills per cigarette, which would amount to a levy of \$1.25. The tax would increase the cigarette and tobacco tax rates at two year intervals by imposition of a rate tied to the consumer price index for the Anchorage area. Section 2 of SB 61 increases the tax that is dedicated, having the effect of placing the proceeds into the 'school fund.' Bill Section 4 provides a contingency that in the event it is determined that the dedication is disallowed, the increase would continue to be collected and deposited in the general fund.

For tobacco products, the excise tax levied would increase from 25 percent to 100 percent of the wholesale price of tobacco products and would be deposited in the general fund. Revenues in excess of 25% of the wholesale price would be accounted for separately in an account called the 'tobacco control and health promotion account.' The Governor would make recommendations to the Legislature at the end of each fiscal year for appropriation of the balance to provide for tobacco control activities.

It is estimated that this tax increase would raise \$43 million annually. More importantly, it would dramatically lower teenage smoking and tobacco use, and will reduce future expenditures on health care costs. I urge your support.