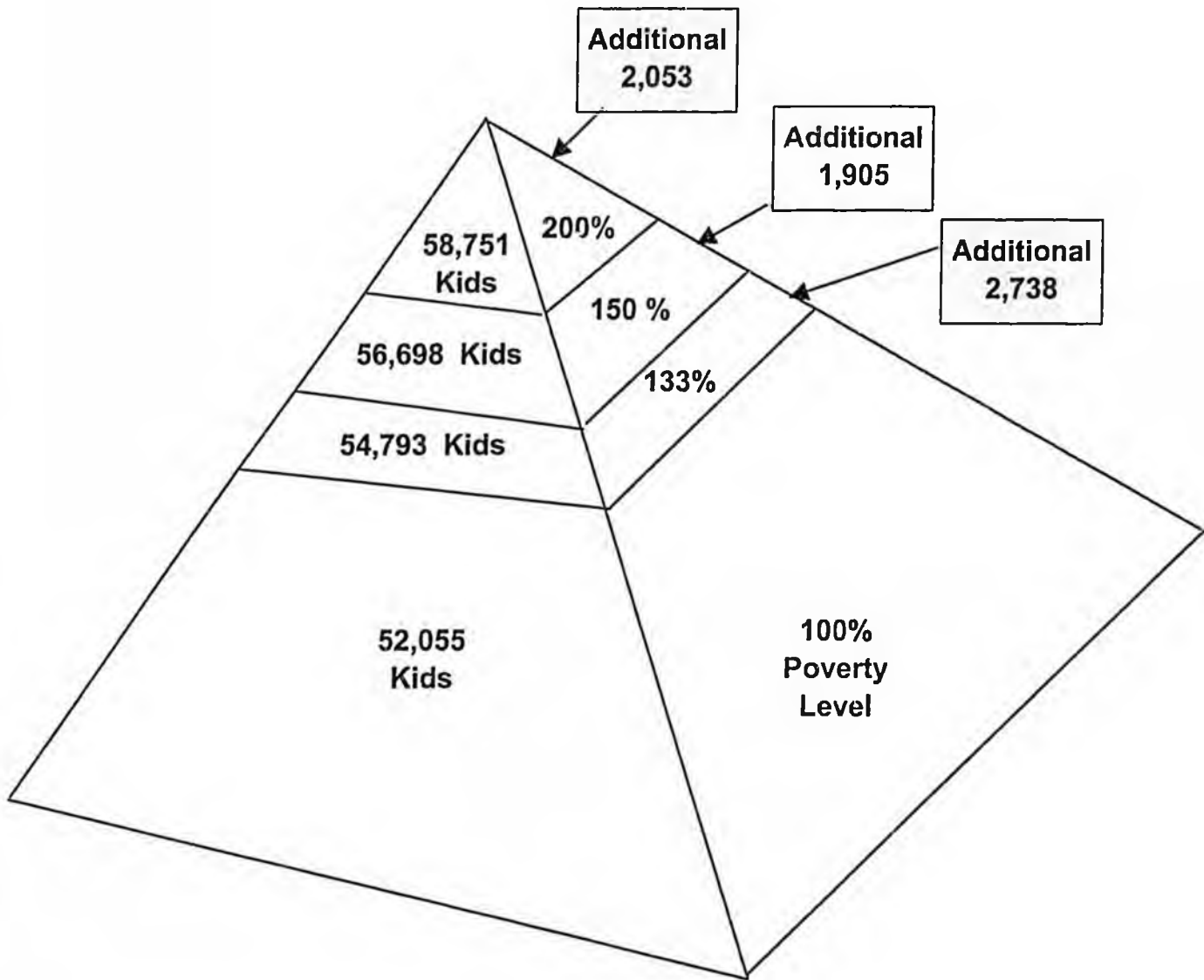


ALASKA LEGISLATURE COMMITTEE FILES 1999-2000 8672

9818 HOUSE HEALTH EDUCATION & SOCIAL SERVICES

CHILDREN'S HEALTH INSURANCE PROGRAM COVERAGE ELIGIBILITY



ELIGIBILITY LEVELS for CHIP	
100%	52,055
133%	54,793
150%	56,698
200%	58,751

Information gathered from:

DHSS FY'2001 Governor, page 140
 Fiscal Note for HB 260
 Fiscal Note for CSHB 260

Prepared by Representative Coghill's Office
 2/16/00

HEALTHY FAMILIES ALASKA PLAN

Enacted with HB 369 in 1998

Now known as Denali Kid Care

MONTHLY HOUSEHOLD ELIGIBILITY CRITERIA

Family Size*	Monthly Income Standard 100% Federal Poverty Level	Monthly Income Standard - Alaska 125% Federal Poverty Level	Monthly Income Standard - Alaska 133% of (125%) Federal Poverty Level	Monthly Income Standard - Alaska 150% of (125%) Federal Poverty Level	Monthly Income Standard - Alaska 200% of (125%) Federal Poverty Level
1	\$687	\$860	\$1,144	\$1,290	\$1,720
2	\$922	\$1,154	\$1,534	\$1,730	\$2,307
3	\$1,157	\$1,447	\$1,925	\$2,171	\$2,894
4	\$1,392	\$1,740	\$2,314	\$2,610	\$3,480
5	\$1,627	\$2,034	\$2,705	\$3,050	\$4,067
6	\$1,862	\$2,327	\$3,095	\$3,491	\$4,654
7	\$2,097	\$2,620	\$3,485	\$3,930	\$5,240
8	\$2,332	\$2,914	\$3,875	\$4,370	\$5,827
9	\$2,567	\$3,342	\$4,445	\$5,013	\$6,684
10	\$2,802	\$3,771	\$5,015	\$5,656	\$7,541

Household Income Exemptions: (This income is not calculated into the formula)

1. Native Corporation Dividends up to \$2,000 per recipient
2. Alaska Permanent Fund Dividends
3. Income of stepparents are not counted if the inclusion of that income would disqualify the child.
4. Income of any household inhabitant who is not the biological or adoptive parent, even though that income may be considered in other public assistance programs.

Other eligibility:

1. Runaway teens qualify because there are no age restrictions on a person applying for Medicaid.
2. U.S. born children of Illegal aliens qualify because DenaliKidCare and Medicaid are not permitted to report illegal aliens.
3. Anyone regardless of their relationship, non-relationship, legal or non-binding status with the child can apply for DenaliKidCare for a child.

HEALTHY FAMILIES ALASKA PLAN

Enacted with HB 369 in 1998

Now known as Denali Kid Care

ANNUAL HOUSEHOLD ELIGIBILITY CRITERIA

Family Size*	Annual Income Standard 100% Federal Poverty Level	Annual Income Standard - Alaska 125% Federal Poverty Level	Annual Income Standard 133% of 125% Federal Poverty Level	Annual Income Standard 150% of 125% Federal Poverty Level	Annual Income Standard 200% of 125% Federal Poverty Level	Income Standard + PFD's 200% of 125% Federal Poverty Level
1	\$8,240	\$10,320	\$13,726	\$15,480	\$20,640	\$22,410
2	\$11,060	\$13,840	\$18,407	\$20,760	\$27,684	\$31,224
3	\$13,880	\$17,360	\$23,089	\$26,040	\$34,728	\$40,038
4	\$16,700	\$20,880	\$27,770	\$31,320	\$41,760	\$48,840
5	\$19,520	\$24,400	\$32,452	\$36,600	\$48,804	\$57,654
6	\$22,340	\$27,920	\$37,134	\$41,880	\$55,848	\$66,468
7	\$25,160	\$31,440	\$41,815	\$47,160	\$62,880	\$75,270
8	\$27,980	\$34,960	\$46,497	\$52,440	\$69,924	\$84,084
9	\$30,800	\$38,480	\$51,178	\$57,720	\$76,968	\$92,898
10	\$33,620	\$42,000	\$55,860	\$63,000	\$84,012	\$101,712

Household Income Exemptions: (This income is not calculated into the formula)

1. Native Corporation Dividends up to \$2,000 per recipient
2. Alaska Permanent Fund Dividends
3. Income of stepparents are not counted if the inclusion of that income would disqualify the child.
4. Income of any household inhabitant who is not the biological or adoptive parent, even though that income may be considered in other public assistance programs.

Other eligibilities:

1. Runaway teens qualify because there are no age restrictions on a person applying for Medicaid.
2. U.S. born children of Illegal aliens qualify because DenaliKidCare and Medicaid are not permitted to report illegal aliens.
3. Anyone regardless of their relationship, non-relationship, legal or non-binding status with the child can apply for DenaliKidCare for a child.



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Health Care Program

State Children's Health Insurance Program (SCHIP): Cost-Sharing

Updated: January 2000

State/ Jurisdiction	Type of Plan	Premiums by Family Income (as % of federal poverty guidelines)	Copayments by Family Income (as % of federal poverty guidelines)	Maximum Out-of-Pocket Expense *†
Alabama	Combination	<p><u>Under 150% None</u></p> <p><u>150%-200% \$50 per child per year; or \$6 per child per mo. for 10 mos.</u></p>	<p><u>Under 150% None</u></p> <p><u>150%-200% \$5 per in-patient hospital care, office visit, ER; \$3 per brand name prescription drug; \$1 per generic prescription drug</u></p>	<p><u>150%-200% \$150 per family per year; or \$180 per family per year depending on the choice of premium payment;</u></p> <p><u>\$500 copayment limit</u></p>
Alaska	Medicaid expansion plan; no cost-sharing provisions			
American Samoa	Medicaid expansion plan; no cost-sharing provisions			
Arizona	State-designed	<p><u>150%-174% \$10 per child per mo.; or \$15 per family per mo.</u></p> <p><u>175%-200% \$15 per child per mo.; or \$20 per family per mo.</u></p>	<p>\$5 per nonemergency ER visit</p>	<p><u>150%-174% \$15 per mo.</u></p> <p><u>175%-200% \$20 per mo.</u></p>
Arkansas	Medicaid expansion plan; no cost-sharing provisions			
California	Combination	Community Provider Plan	\$5 per service	\$250 per year

		<p><u>100%-149%</u> \$4 per child per mo.; or \$8 per two or more children</p> <p><u>150%-200%</u> maximum payment, \$13 per mo.</p> <p>State-designed Plan</p> <p><u>100%-149%</u> \$7 per child per mo.; or \$14 per two or more children per mo.</p> <p><u>150%-200%</u> \$9 per child per mo.; or \$18 per two children per mo.; or \$27 per three or more children per mo.</p>		
Colorado	State-designed	<p><u>101%-150%</u> \$9 per child per mo.; or \$15 per family per mo.</p> <p><u>151%-169%</u> \$15 per child per mo.; or \$25 per family per mo.</p> <p><u>170%-185%</u> \$20 per child per mo.; or \$30 per family per mo.</p>	<p><u>101%-150%</u> \$2 per office visit</p> <p><u>151%-185%</u> \$5 per office visit</p>	
Connecticut	Combination	<p><u>100%-235%</u> None</p> <p><u>236%-300%</u> \$30 per child per mo.; or \$50 per family per mo.</p> <p><u>Greater than 300%</u> Full premium</p>	<p>\$5 per office visit; \$3 per generic drug prescription; \$6 per brand name drug prescription</p>	<p><u>185%-235%</u> \$650 limit</p> <p><u>236%-300%</u> \$1,250 limit</p> <p><u>Greater than 300%</u> No limit</p>
Delaware	State-designed	<p><u>101%-133%</u> \$10 per family per mo.</p> <p><u>134%-166%</u> \$15 per family per mo.</p> <p><u>167%-200%</u> \$25 per family per mo.</p>	<p>\$10 per nonemergency ER visit</p>	
District of Columbia	Medicaid expansion plan; no cost-sharing provisions			

Florida	Combination	<u>101%-200% \$15 per family per mo.</u> <u>Above 200% Full premium</u>	\$3 per office visit, behavioral health outpatient visit, prescribed medicine, therapy services; \$10 per nonemergency ER visit	
Georgia	State-designed	<u>Birth- age 5. none</u> <u>Ages 6-18 \$7.50 per child per mo.; \$15 per family per mo.</u>	None	\$180 per family per year on cost-sharing
Guam	Medicaid expansion plan; no cost-sharing provisions			
Hawaii	Medicaid expansion plan; no cost-sharing provisions (1115 waiver)			
Idaho	Medicaid expansion plan; no cost-sharing provisions			
Illinois	Medicaid expansion plan (1115 waiver)	<u>KidCare Assist None</u> <u>KidCare Share None</u> <u>KidCare Premium \$15 per child per mo.; or \$25 per two children per mo.; or \$30 per three or more children per mo.</u>	<u>KidCare Assist None</u> <u>KidCare Share \$2 per office visit or prescription</u> <u>KidCare Premium \$5 per office visit; \$3 per generic prescription; \$5 per brand prescription; \$25 per nonemergency ER visit</u>	\$100 per year on copayments
Indiana	Combination	<u>150%-175% \$11 per child per mo.; or \$16.50 per two or more children per month; or \$31.50/child/quarterly; or \$47.25 per two or more children quarterly; or \$120 per child per year; or \$180 per two or more children per year</u> <u>175%-200% 16.50 per</u>	\$3 per prescription drug; \$10 per prescription brand-name drug; \$10 per ambulance transportation; \$20 per nonemergency ER visit	

		<u>child per mo.: \$24.75 per two or more children per month or \$47.25/child/quarterly; or \$71 per two or more children quarterly; or \$180 per child per year; or \$270 per two or more children per year</u>		
Iowa	Combination	<u>Up to 133% None</u> <u>134%-150% \$10 per child per mo.; \$20 per family per mo.</u>	None	
Kansas	State-designed	<u>Up to 150% None</u> <u>151%-175% \$10 per family per mo.</u> <u>176%-200% \$15 per family per mo.</u>	None	Not to exceed 1% of total family income per year
Kentucky	Combination	None	None	\$600 per year
Louisiana	Medicaid expansion plan; no cost-sharing provisions			
Maine	Combination	<u>Up to 150% None</u> <u>151%-160% \$5 per child per mo.; or \$10 per family per mo.</u> <u>161%-170% \$10 per child per mo.; or \$15 per family per mo.</u> <u>171%-185% \$15 per child per mo.; or \$30 per family per mo.</u>	None	<u>151%-160% .4%- .6% of family income</u> <u>161%-170% .7%-1.1% of family income</u> <u>171%-185% 1.0%-1.6% of family income</u>
Maryland	Medicaid expansion plan; no cost-sharing provisions (1115 waiver)			
Massachusetts	Combination	<u>Up to 150% None</u> <u>151%-200% \$10 per child per mo.; or \$30 per family per mo.</u>	None	
Michigan	Combination	<u>Up to 149% None</u>	None	

		<u>150%-200% \$5 per family per mo.</u>		
Minnesota	Medicaid expansion plan; no cost-sharing provisions (1115 waiver)			
Mississippi	State-designed	None	<u>At or below 150%</u> <u>None</u>	
			<u>151%-200% \$5 per outpatient visit; \$15 per ER visit</u>	
Missouri	Medicaid expansion plan; no cost-sharing provisions (1115 waiver)			
Montana	State-designed	<u>101%-150% \$15 per annual enrollment fee</u>	<u>101%-150% \$25 per inpatient stay; \$5 per ER or outpatient visit; \$3 per office visit; \$3 per generic drug prescription</u>	\$200 per year
Nebraska	Medicaid expansion plan; no cost-sharing provisions			
Nevada	State-designed	<p>Quarterly premium based on family size and annual income</p> <p><u>Family of 2</u> Up to \$16,000: \$10 per quarter; \$16,001-\$18,500: \$25 per quarter; \$18,501-\$21,000: \$50 per quarter</p> <p><u>Family of 3</u> Up to \$20,000: \$10 per quarter; \$20,001-\$23,250 \$25 per quarter; \$23,251-\$26,500 \$50 per quarter</p> <p><u>Family of 4</u> Up to \$24,000: \$10 per quarter; \$24,001-\$28,000: \$25 per quarter; \$28,001-\$32,000: \$50 per quarter</p> <p><u>Family of 5</u> Up to \$28,000: \$10 per quarter; \$28,001-\$32,800: \$25 per quarter; \$32,801-\$37,500: \$50 per quarter</p>	<u>At or below 150%</u> <u>None</u>	

New Hampshire	Combination	<p><u>185%-250% \$20 per child per mo.</u></p> <p><u>250%-300% \$40 per child per mo.</u></p>	<p>\$5 per office visit; \$5 per generic prescription drug; \$10 per brand prescription drug; \$25 per nonemergency ER visit</p>	\$100 per year
New Jersey	Combination	<p><u>Up to 149% None</u></p> <p><u>151%-200% \$15 per family per mo.</u></p> <p><u>201%-250% \$30 per family per mo.</u></p> <p><u>251%-300% \$60 per family per mo.</u></p> <p><u>301%-350% \$100 per family per mo.</u></p>	<p><u>251%-350% \$5 per office visit;</u> <u>\$1 per drug prescription;</u> <u>\$10 per ER visit</u></p>	
New Mexico	Medicaid expansion plan (1115 waiver)	<p><u>186%-235% \$15 per family per mo.</u></p>	None	
New York	Combination	<p><u>Up to 133% None</u></p> <p><u>133%-185% \$9 per child per mo.; or \$27 per family per mo.</u></p> <p><u>186%-192% \$15 per child per mo.; or \$45 per family per mo.</u></p> <p><u>Above 192% \$110 per family per mo. (full premium)</u></p>	None	
North Carolina	State-designed	<p><u>Up to 149% None</u></p> <p><u>150%-200% \$50 per child per year enrollment fee; \$100 per family per year</u></p>	<p>\$5 per office visit; \$5 per outpatient hospital visit; \$6 per drug prescription; \$20 per nonemergency ER visit</p>	
North Dakota	Combination	None	<p><u>Up to 140% \$2 per prescription;</u> <u>\$5 per ER visit;</u> <u>\$50 per hospital admission</u></p>	

Northern Mariana Islands	Medicaid expansion plan; no cost-sharing provisions			
Ohio	Medicaid expansion plan; no cost-sharing provisions			
Oklahoma	Medicaid expansion plan; no cost-sharing provisions			
Oregon	State-designed	None	None	
Pennsylvania	State-designed	<u>Below 200% None</u> <u>State-funded subsidized program</u> <u>200%-235% Families must pay half of premium cost</u>	None	
Puerto Rico	Medicaid expansion plan; no cost-sharing provisions			
Rhode Island	Medicaid expansion plan (1115 waiver)	<u>185%-249% Choice of paying premium or copayment; monthly premium based on family size and 1% of family income</u> <u>250%-300% Families must pay both premium and copayment; monthly premium based on family size and 1% of family income</u>	\$5 per office visit; \$25 per hospital admission; \$15 per outpatient surgery; \$2 per prescription drug; \$35 per nonemergency ER visit	
South Carolina	Medicaid expansion plan; no cost-sharing provisions			
South Dakota	Medicaid expansion plan; no cost-sharing provisions			
Tennessee (1115 waiver)	Medicaid expansion plan	<u>101%-119% \$24.50 per family per mo.</u> <u>120%-139% \$32.25 per family per mo.</u> <u>140%-169% \$47.50 per family per mo.</u> <u>\$170%-199% \$70.50 per family per mo.</u>	None	

Texas	Combination	<p><u>100%-133% \$15 per family per year</u></p> <p><u>134%-150% \$15 per family per year</u></p> <p><u>150%-185% \$15 per family per mo.</u></p> <p><u>186%-200% \$18 per family per mo.; and \$200 annual deductible per family per inpatient hospital stay; \$50 annual deductible per family outpatient hospital visit</u></p>	<p><u>100%-133% \$2 per office visit; \$5 per ER visit; \$1-\$2 per prescription</u></p> <p><u>134%-150% \$2 per office visit; \$5 per ER visit; \$1-\$2 per prescription</u></p> <p><u>151%-185% \$5 per office visit; \$25 per ER visit; \$5 per generic brand prescription; \$10 per brand prescription</u></p> <p><u>186%-200% \$10 per office visit; \$35 per ER visit; \$5 per generic drug prescription; \$10 per brand name drug prescription</u></p>	<p><u>100%-133% \$100 per family per year</u></p> <p><u>134%-150% \$100 per family per year</u></p>
US Virgin Islands	Medicaid expansion plan; no cost-sharing provisions			
Utah	State-designed	None	<p><u>101%-150% \$10 per ER visit; \$5 per hospital or outpatient visit; \$2 per prescription</u></p> <p><u>151%-200% \$30 per ER visit; \$10 per hospital or outpatient visit; \$4 per prescription drug on approved list or generic brand</u></p>	<p><u>101%-150% \$500 per family</u></p> <p>-</p> <p><u>151%-200% \$800 per family</u></p>

Vermont	State-designed	<u>185%-224% \$10 per family per month</u> <u>225%-300% \$25 per family per month</u>	None	
Virginia	Combination	None	None	
Washington	State-designed	\$10 per child per mo.; or \$30 per family per mo.	\$5 per office visit; \$5 per prescription brand drug; \$25 per ER visit	\$300 per child per year; or \$900 per family per year
West Virginia	Combination	None	None	
Wisconsin	Medicaid expansion plan (1115 waiver)	<u>150%-200% 3% of annual family income</u>	None	
Wyoming	State-designed	None	None	

Sources: HCFA Plan Fact Sheets and Amendment Fact Sheets, HCFA Plan Approval Letters, State-designed Plans, NGA/NCSL State Children's Health Insurance Program 1999 Annual Report (Draft), and personal communication with states.

Key:

ER emergency room

* All states must cap family cost-sharing expenditures at 5 percent of the gross family income.

† American Indians and Native Alaskans are exempt from cost-sharing requirements.

For further information on SCHIP, please see NCSL's STATESERV website at <http://www.stateserv.hpts.org/public/pubhome.nsf>.

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FEB 28 2000

February 23, 2000

Representative Fred Dyson, Chair
House Health, Education, and Social Services Committee
State Capitol
Juneau, AK 99811


Dear Representative Dyson:

The Alaska Municipal League's Public Safety, Health and Welfare Legislative Subcommittee met via teleconference today to determine positions on current legislation. The Subcommittee **unanimously opposed HB 260, which would eliminate Denali KidCare Program.**

This is a new program that seems to be working as it was designed, which is to provide health insurance to uninsured children and pregnant women. The program is mostly funded with federal money and helps those families who work for low wages and do not receive health benefits. The program indirectly helps community hospitals because people who are not covered by health insurance tend to wait until they are in a crisis situation and then go to the emergency room for more expensive treatment and are unable to pay. Local citizens are then forced to pick up the costs of the uninsured.

We appreciate your consideration of our position and urge the House HESS Committee to reject this legislation as unneeded at this time. If you have any questions on this or other municipal issues, please call me at 586-1325.

Sincerely,



Kevin C. Ritchie
Executive Director

cc: Public Safety, Health and Welfare Committee

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cuts to municipal revenue sharing last year and more predicted this year, tragically, some of the services haven't be able to maintain their previous level of training and have only been able to provide the most basic of care. Some have lost their State ambulance certification because of lack of funds and the inability of bake sales to fund the additional expenses.

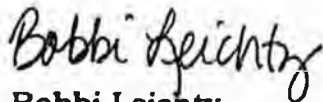
The economic backlash of reduced logging and fishing in this region has effected many aspects of EMS. Without the assistance of equipment, aircraft and manpower provided by these industries, many services teeter on the point of collapse. Any added cuts will devastate the programs painstakingly built over the past 15 years. EMS will simply cease to exist in many of our communities.

The grants awarded by the state to the regions are an excellent example of how privatization should work. SE Region employs 6 staff members who industriously work to combine grant funds with other agencies to stretch the funding as far as possible. Working with the volunteers allows that money to be efficiently expended. Thousands of hours are donated by them but they can't do it all by themselves. They need our help to provide management training, technical advice, physician sponsors and to disseminate the latest information of the constantly changing standard of medical care.

"Neighbor helping neighbor" is the state motto of EMS. Here, more so than any other place in the nation, it is the way we live. The EMS responders are expected to provide life-saving care with the added emotional layer of delivering that care to our next door neighbors and our own relatives.

Thank you for your time and attention to this matter. Your continued support is vital. The state has a responsibility to public safety and EMS. Our volunteers are willing to do their part, they just need your help.

Sincerely,



Bobbi Leichthy
Executive Director
SE Region EMS

HB

268

New College Savings Plans Gaining Popularity

By Joseph F. Hurley, CPA

The process of saving for college is being revolutionized by the new tax-advantaged programs being established these days by many of the states under Section 529 of the Internal Revenue Code. These programs, technically known as qualified state tuition programs, have been attracting a lot of attention in recent months with articles in *TIME*, *Newsweek*, *The Wall Street Journal*, *Kiplinger's Personal Finance Magazine* and other national publications. Some of the newest programs, such as those in New York and New Hampshire, have been swamped with new account applications. It is imperative that we as financial planners become familiar with qualified state tuition programs because our clients are going to be coming to us with a lot of questions about them.

For families saving for college, Section 529 allows qualified state tuition programs to offer a host of tax advantages that, in many cases, make them superior to the Education IRA, taxable funds and other investment alternatives. In addition to the income tax advantages, there are some distinct estate and gift tax advantages. For middle- to high-income families who face many obstacles in the tax law, the qualified state tuition program can be a clear winner.

The income tax benefits include deferral of earnings until distributions are made from the plan and taxation of the earnings to the student at (usually) the lowest tax bracket. The estate and gift tax benefits include treatment of a contribution into the plan as a completed gift eligible for the \$10,000 annual exclusion, despite the fact that the donor maintains full control and can later switch beneficiaries or have the account refunded. A donor can contribute \$50,000 at once without gift tax consequences because an election is available to treat the gift as made over a five-year period.

There are two basic kinds of qualified state tuition programs – prepaid tuition plans and savings-type plans. Some of the prepaid tuition plans, such as Florida's, have actually been around for several years and do not have a great reputation as a savings vehicle (deservedly so). They are designed to provide a return that merely keeps up with tuition increases and will often provide a lower return if the child attends a private college or out-of-state institution. Most prepaid tuition plans are restricted to

residents of the state, can only be used for tuition and not the other costs of attending college, and are treated as a financial "resource," which reduces federal financial aid on a dollar-for-dollar basis.



The newer savings-type qualified state tuition programs are a whole different ballgame. Most of the states offering these programs make them available to residents and non-residents alike, and the choice of college makes no difference. In the typical program, over \$100,000 can be contributed for a single beneficiary and is invested on a tax-deferred basis in an age-banded portfolio of mutual funds, which provides a more aggressive asset allocation for younger beneficiaries and then becomes more conservatively invested as the beneficiary nears college age. The state will contract with an investment manager

(such as Fidelity, TIAA or Vanguard) to structure the portfolios and administer the program. Many states offer tax deductions, income exemption or scholarships for residents making contributions to their programs. For federal financial aid purposes, the account is generally considered to be an asset of the parent despite being taxed to the child.

Why should the financial planner be excited about these programs, particularly since none of them (with the exception of Montana) offer commissions to investment advisers? It is because they can be great for your clients, and your clients will definitely need help in sifting through all the special programs now available for higher education (Education IRA, withdrawals from regular and Roth IRA, Series EE bonds). They also need help in developing a strategy for using qualified state tuition programs. There are many different state programs to choose from and each program is different. And because the investment of contributions is directed by the state, not the account owner, your client will need help in properly balancing the asset allocation imposed by the state with his or her other investments.

Note: Joseph F. Hurley CPA, is a tax partner at Bonadio & Co. LLP in Rochester, N.Y. He has appeared before the IRS and Treasury in hearings on the regulations being developed under IRC Sec. 529 and has written a book, The Best Way To Save For College – A Comprehensive Guide to State-Sponsored College Savings Plans and Prepaid Tuition Contracts. For more information, send e-mail to jhurley@bonadio.com or go to www.savingforcollege.com.



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Eight Great Ways to Save for College

► The newest state savings plans go to the head of the class. By Kristin Davis

States have been busy since we last reviewed state-sponsored college-savings plans. Six states will offer new plans by September, and two more have improved their investment options. The best news: All the new plans earn *As* on the scale we used to grade 32 plans in the February 1999 issue ("How to Ace Saving for College").

These states earned top marks by adopting features we applauded in our February survey, such as providing investment options suited to long-term investors and allowing proceeds to be used without penalty at any accredited college in the U.S.

Investments in the plans shift from an aggressive blend of stocks and bonds when children are young to a conservative mix as they mature. Money grows tax-deferred until it's used for college; earnings are then taxed in the student's bracket. Some states add tax benefits for residents.

All plans levy a penalty on withdrawals not used for college expenses.

Unless noted otherwise, any U.S. resident can open an account.

► Arizona's Family College Savings Program is our favorite among the new plans because it gives you some choices about how your money is invested. No plan gives you total control of your investments, but Arizona



lets you predesignate up to two switches—say, from SM&R Growth fund (three-year annualized return, 17.5%) to SM&R Balanced fund (12.9%) on your child's 13th birthday, and from that fund to a bond or money-market fund at 16.

Arizona also offers the College Savings Bank's CollegeSure CD, which pays a rate pegged to college-cost inflation with a minimum guarantee of 4%. Whichever you choose, earnings are exempt from Arizona state tax. For more information, call the College Savings Bank (800-888-2723) or Securities Management and Research (888-667-3239).

► California's Golden State Scholarshare Trust (877-728-4338; www.scholarshare.com)

invests in three TIAA-CREF funds, including the Growth Equity (12-month return, 26.5%), Bond Plus and money-market funds. For children up to age 2, the mix is 75% stocks and 25% bonds.

► Kentucky has offered only a fixed-rate return in its Educational Savings Plan Trust (800-338-0318), with a minimum guarantee of 4%. Starting this fall, accounts will be invested in the TIAA-CREF funds named above, and only earlier contributions will retain the 4% guarantee. Earnings are free from Kentucky state income tax. Participants must have ties to Kentucky, such as living or working in the state or having a family member who lives there.

► Maine's NextGen College Investing Plan (877-463-9843) invests in nine Merrill Lynch funds, starting with 90% stocks and 10% bonds for children up to age 3. Earnings are free from Maine income tax.

► Massachusetts's U. Fund (800-544-2776) supplements the state's prepaid-tuition plan. Your money is invested in eight Fidelity portfolios.

► Minnesota's College Savings Program (800-657-3866) is a TIAA-CREF plan similar to California's and Kentucky's. Minnesota residents who meet certain income criteria can get a matching grant.

► Missouri's Saving for Tuition (Most) program (888-414-6678) is yet another TIAA-CREF plan that will eventually include a fixed-rate option with a guaranteed minimum return. The big boost for Missouri residents: a state-tax deduction of up to \$8,000 per contributor per year. Earnings are free from Missouri tax.

► Vermont's Higher Education Savings Plan (800-637-5860; www.vsac.org) will mirror Missouri's plan, with TIAA-CREF funds plus a guaranteed-return option. Withdrawals will be free from Vermont tax. The contributor or beneficiary must have a "Vermont connection."

For reviews of plans in other states, see www.kiplinger.com/kids. •

States' College-Savings Plans Go National

Big Firms Provide Marketing Muscle

YOUR
MONEY
MATTERS

By LYNN ASINOF
Staff Reporter of THE WALL STREET JOURNAL
Merrill Lynch & Co. and other financial heavyweights are staking out turf in the college-savings-plan business, transforming the once-stodgy state plans into investment products with a national market.

Merrill Lynch last month started using its vast brokerage network to market Maine's brand-new NextGen program. Its 16-page brochure shows bright-eyed children, documents the rising cost of college and outlines various tax advantages. But it mentions Maine's sponsorship only a handful of times, even in the fine print.

Citigroup is taking a similar approach with Colorado's Scholars Choice program, which was announced yesterday and will be marketed starting Oct. 19 through Solomon Smith Barney brokers. New Hampshire's year-old Unique program is touted by Fidelity Investments in national newspaper and magazine ads. And TIAA-CREF, which operates New York's plan, has six more state programs in the works.

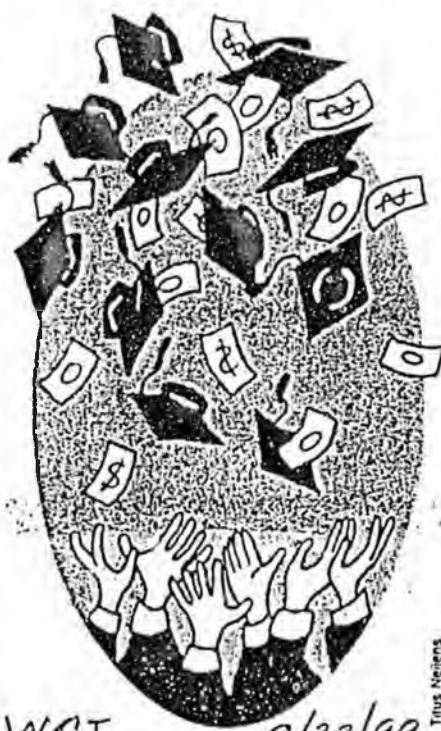
"There is a tremendous momentum building for these programs," Joseph F. Hurley, author of "The Best Way to Save for College," says. "As more investment companies wake up to the possibilities, it widens the whole playing field."

Age-Based Portfolios

Typically, money contributed by parents and grandparents is invested in special age-based portfolios of mutual funds. No federal income tax is owed on earnings until the funds are withdrawn to pay for college. Even then, earnings are taxed as ordinary income at the student's rate, which is typically lower than that of the person funding the plan.

A parent or grandparent can put as much as \$50,000 into an account in a single year and owe no gift tax as long as no additional gifts are made during the next four years.

Early versions of the plans have been



WSJ

9/23/99

Tinus Neijens

around since the late 1980s, but they had their drawbacks. Most were prepaid tuition plans designed to protect against tuition inflation. Participation was restricted to state residents, and investors typically got full value only when used for colleges within their state's borders.

Then tax legislation in 1996 and 1997 cleared up lingering tax questions, and the number of plans mushroomed. Bernie Kent, a tax partner for PricewaterhouseCoopers in Detroit, says. They also started to change form. Prepaid plans still hold the most money, but it is now the savings plans that are growing fastest in number.

Unlike the original prepaid programs, the new savings plans generally aren't restricted to state residents. That means someone from, say, Illinois, could pick from among plans in states such as New York, New Hampshire, Maine and Massachusetts - or even put money into all of them - and use the funds to pay higher education expenses at virtually any school in the country.

The new savings plans also lend themselves to a "turn-key" approach, which shifts both operating cost and responsibility to outside companies. That is opening the door to competition between providers,

who must affiliate with a state plan to enter the market.

"Each firm is going to want to tell its customers 'We have one of these,'" Abram Claude, vice president of business development at Fidelity Investments, says.

For consumers, this competition is great news, Mr. Hurley says. People can shop among several state plans, comparing the performance, benefits, expense and restrictions.

Nationalization Concerns

But some providers worry about the trend toward nationalization. "We believe the intent of the law was for the states to set up a program for state residents," not to use a state to create a national platform. Timothy E. Lane, vice president of tuition financing with TIAA-CREF, says.

Concerned that Congress could revoke the tax advantages, TIAA-CREF is avoiding glitzy national marketing, targeting instead in-state employers who could offer the plan through payroll deduction.

National interest is high. Just a year old, New Hampshire's plan has attracted nearly \$120 million from investors from all 50 states, Puerto Rico, Guam and the U.S. Virgin Islands. Residents of California - not New Hampshire - account for the largest number of plan accounts.

Out-of-state savers do forgo some important tax advantages. Residents typically aren't taxed by the state on earnings in their own state plan, although they will likely owe state tax on earnings from out-of-state plans. Likewise, some states give tax deductions for annual contributions to their own savings plans. At least one state - New Jersey - is taking a broader view, extending its income tax exemption to earnings in other states' plans.

But these plans aren't for everyone. Once you put money into a plan, you lose all control over how it is invested. Each state has its own formula, and returns vary widely depending on the mix of equity to fixed income built into the age-based portfolios.

"The models are tremendously different," Kalman Chany, author of "Paying for College Without Going Broke," says. So are the fees. While savers in Maine's NextGen can expect to pay about 1.5% of assets in annual management fees, savers in New York's plan pay only 0.65% and New Hampshire plan savers pay about 1%.

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College savings plans take off

Tax-deferred state programs can cover tuition cost

By Thomas A. Fogarty, USA TODAY

College savings plans run by the states are exploding.

- ▶ [Prepaid most popular](#)
- ▶ [Table of plans](#)

Forty state plans now manage \$7.1 billion in college savings, up 40% since June, according to Kentucky-based College Saving Plan Network. Nearly 1.2 million people use the plans to save for college.

"These plans are a tremendous breakthrough," says Marshall Bennett, Mississippi's state treasurer and chairman of the national network.

The plans offer professional money management, and state and federal taxes on earnings are deferred until withdrawn. Many plans offer additional state tax incentives.

State tuition plans are either prepaid or savings plans.

Prepaid plans let an investor -- typically a parent or grandparent -- lock in public university tuition rates by paying now for a future education.

Savings plans are state-sponsored, tax-deferred investments. If the money isn't spent for education, the investor loses the tax benefits and incurs a penalty.

Most recent growth has been in savings plans. Among the reasons for their popularity:

▶ **More plans.** Arizona, California, Colorado, Maine, Missouri and Virginia -- have launched savings plans just since August. Fourteen more are set to launch soon.


"States have embraced these plans mainly because they're so cheap to run when they contract (with an investment company), and because they're great vehicles for the parents, the state treasurer and

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they're great publicity for the governor, the state treasurer and everybody else," says Joseph Hurley, author of *The Best Way to Save for College*.

▶ **Competition.** Many states accept investments nationwide, and some offer enhancements beyond tax concessions. North Carolina makes education loans to parents who have depleted their account.

▶ **Aggressive marketing.** State officials pitch the programs to residents in TV ads. And investment companies who manage state funds put their marketing muscle behind the plans. Merrill Lynch, for example, markets Maine's program to investors nationally.

Michigan was first with a tuition plan in 1988. It was the subject of a five-year court fight with the Internal Revenue Service, which argued it didn't serve a state government purpose. A federal court ruled for Michigan in 1994, and the state stampede began after Congress, in 1996 and 1997, adopted favorable tax rules.



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Personal wealth

Here's how state tuition plans rate

College savers are not limited to their own state in selecting a state tuition plan, so they face an array of choices. Here is a listing of the plans that are now operating. More are on the way. The chart includes the rating given each plan by Joseph Hurley, a certified public accountant who has written a guide to funds called *The Best Way to Save for College*. A rating of 5 is best; a 1 is worst. More information can be found on Hurley's Web site, www.savingforcollege.com, and on the Web site of the College Savings Plan Network, www.collegesavings.org.

► Savings plans take off
► Prepaid most popular

State	Name (phone)	Web site	Hurley's rating	Type of program	Available to non-residents? (Hurley rating)	Enrollment period	Investments/comments
Ala.	Prepaid Affordable College Tuition (PACT) Program (800-252-7228)	agencies.state.al.us/treasurer	2	Prepaid	No	Sept.	Tracks Ala. tuition and fee increases; no interest if canceled
Alaska	Advance College Tuition (ACT) (in Alaska, 800-478-0003; outside Alaska, 907-474-5671)	www.alaska.edu/swact	1	Combined	No	Open	Money market interest rates
Ariz.	Arizona Family College Savings Plan (602-229-2591)	www.acpe.asu.edu	3	Savings	Yes (3)	Open	CD rates, 4% minimum or four SM&R mutual funds
Ark.	Arkansas Tax-deferred Tuition Savings Program (877-442-6553)	www.thegiftplan.com	5	Savings	Yes (4)	Open	Nine age-based portfolios
Calif.	Golden State Scholarshare Trust College Savings Program (877-728-4338)	www.scholarshare.com	4	Savings	Yes (3)	Open	Age-based portfolios managed by TIAA-CREF
Colo.	Scholars Choice College Savings Program (888-572-4652) Colorado Prepaid Tuition Fund (800-478-5651)	www.scholars-choice.com www.prepaidtuition.org	Savings: 5 Prepaid: 2	Both	Savings: Yes (4) Prepaid: Yes (1)	Open Fall	Savings: age-based portfolios using Salomon Smith Barney mutual funds
Conn.	Connecticut Higher Education Trust (CHET)	www.aboutchet.com	3	Savings	Yes (3)	Open	Age-based portfolios; various money

	(888-799-2438)						managers
Del.	Delaware College Investment Plan (800-544-1655)	www.fidelity.com/delaware	4	Savings	Yes (4)	Open	Age-based portfolios using Fidelity funds
Fla.	Florida Prepaid Tuition Program (800-552-4723)	www.fsba.state.fl.us/prepaid	2	Prepaid	No	Oct.-Jan.	Tracks Fla. tuition increases; no interest if canceled
Ill.	College Illinois (877-877-3724)	www.collegeillinois.com	2	Prepaid	No	Oct. 18-Feb. 18	Tracks Ill. tuition and fee increases; heavy cancellation penalties
Ind.	Indiana Family College Savings Plan (888-814-6800)	www.che.state.in.us/ifcsp	4	Savings	Yes (4)	Open	Many One Group mutual fund options; Vanguard bond fund
Iowa	College Savings Iowa (888-446-6696)	www.collegesavingsiowa.com	4	Savings	Yes (3)	Open	One of four Vanguard portfolios
Ky.	Kentucky Education Savings Plan Trust (877-598-7878)	www.kentuckytrust.org	4	Savings	No	Open	Age-based portfolios managed by TIAA-CREF
La.	Louisiana Student Tuition Assistance and Revenue Trust Program (START) (800-259-5626)	www.osfa.state.la.us/start.htm	4	Savings	No	Open; Nov. 1 deadline for matching grant	Government bonds and other fixed-income investments
Maine	NextGen College Investing Plan (877-463-9843)	www.nextgenplan.com	5	Savings	Yes (4)	Open	Age-based portfolios using Merrill Lynch mutual funds
Md.	Maryland Prepaid College Trust (888-463-4723)	www.prepaid.usmd.edu	2	Prepaid	No	Feb. 10-June 10	Tracks Md. avg. tuition and fees; cannot cancel first three years
Mass.	U. Fund (800-544-2776) U. Plan (800-449-6332)	www.mcfa.org	Savings: 4 Prepaid: 2	Both	Savings: Yes (4) Prepaid: Yes (1)	Savings: Open Prepaid: May 2000	Savings: age-based portfolios using Fidelity mutual funds
Mich.	Michigan Education Trust (800-638-4543)	www.treas.state.mi.us/college/mct/metindex.htm	1	Prepaid	No	Fall/winter	Tracks Mich. tuition and fees; no cancellations
Miss.	Mississippi Prepaid Affordable College Tuition Program (MPACT) (800-987-4450)	www.treasury.state.ms.us	3	Prepaid	No	Sept. 1-Nov. 30	Tracks Miss. tuition and fees
Mo.	Missouri Saving for Tuition Program (MOST) (888-414-6678)	www.missourimost.org	5	Savings	Yes (4)	Open	Age-based portfolios or fixed-income, both TIAA-CREF

Mont.	Montana Family Education Savings Program (800-888-2723)	montana.college.savings.com	4	Savings	Yes (3)	Open	CDs based on avg. college costs, 4% minimum
Nev.	Nevada Prepaid Tuition Program (888-477-2667)	prepaid-tuition.state.nv.us	3	Prepaid	No	Aug. 30-Nov. 16	Tracks Nevada tuition increases
N.H.	UNIQUE College Investing Plan (800-544-1722)	personal400.fidelity.com/planning/college	5	Savings	Yes (4)	Open	Age-based portfolios using Fidelity mutual funds
N.J.	New Jersey Better Education Savings Trust (NJBEST) (877-465-2368)	www.state.nj.us/treasury/osa	3	Savings	No	Open	Invested by state; minimum 60% in bonds
N.Y.	New York's College Savings Program (877-697-2837)	www.nysaves.com	4	Savings	Yes (4)	Open	Age-based portfolios managed by TIAA-CREF
N.C.	College Vision Fund (800-600-3453)	www.collegevisionfund.org	2	Savings	No	Open	Fixed-income securities
Ohio	Ohio Prepaid Tuition Program (800-233-6734)	www.ohiocollege.savings.org	2	Both	No	Open	Tracks Ohio tuition increases
Pa.	Pennsylvania Tuition Account Program (TAP) (800-440-4000)	www.patap.org	2	Prepaid	No	Open	Tracks Pa. tuition increases; no interest if canceled
R.I.	Rhode Island Education Savings Trust (RIHEST) (877-474-4378)	www.rihest.com	3	Savings	Yes (3)	Open	Age-based portfolios with various money managers
S.C.	Prepaid Affordable College Education (PACE) (888-772-4723)	www.state.sc.us/tpp	2	Prepaid	No	Oct. 1-Jan. 21	Tracks S.C. tuition and fee increases; no interest if canceled
Tenn.	Tennessee Baccalaureate Education System Trust (BEST) (888-486-2378)	www.treasury.state.tn.us/best.htm	1	Prepaid	No	Open	Tracks Tenn. tuition and fee increases
Texas	Texas Tomorrow Fund (800-445-4723)	www.texastomorrowfund.com	2	Prepaid	No	Nov. 1-March 28	Tracks Texas tuition and fee increases
Utah	Utah Educational Savings Plan Trust (UESP) (800-418-2551)	www.uesp.org	4	Savings	Yes (4)	Open	Four options, with state-run fixed-income fund and Vanguard stock and bond index funds
Va.	Virginia Education Savings Trust	www.vpep.state.va.us	Savings: 5	Both	Savings: Yes (4)	Savings: Open	Prepaid; tracks Va. tuition and

	(VEST) Virginia Prepaid Education Program (VPEP) (888-567-0540)		Prepaid: 3		Prepaid: No	Prepaid: Dec. 1-Feb. 29	fee increases; savings: seven age-based portfolios
Wash.	Guaranteed Education Tuition of Washington (GET) (877-438-8848)	www.get.wa.gov	2	Prepaid	No	Sept. 1-Jan. 15	Tracks Wash. tuition increases
W.Va.	West Virginia Prepaid College Plan (800-307-4701)	www.wvtreasury.com	2	Prepaid	No	Oct.-Jan.	Tracks W.Va. tuition and fee increases; no interest if canceled
Wis.	Edvest Wisconsin (888-338-3789)	edvest.state.wi.us	1	Savings	No	Open	Tuition units similar to U.S. Savings Bonds, now 6% interest

Source: Saving for College, www.savingforcollege.com

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SPECIFIC EXAMPLES :

<i>New Hampshire</i>	
Type of Program:	Savings
Name of program:	UNIQUE College Investing Plan
Initial Year of Operation:	1998
Telephone:	1-800-544-1722
Internet:	www.fidelity.com/unique
Residency requirements:	None
Age/time requirements:	None
Basic program description:	Accounts can be used to pay for all higher education expenses allowed under Section 529.
Maximum contribution:	\$109,825 to increase on January 1, 2000
Minimum contribution:	\$1,000 lump sum or \$50/month automatic deposit.
Investment information:	Age-based portfolios using a blend of Fidelity mutual funds
Enrollment period:	Open
Program fee:	\$30 annual maintenance fee (waived for account with automatic deposit or exceeding \$25,000 in value). Program investment fee of 0.3% charged against net assets of the portfolio. Portfolio expenses range from .65% to .75%. Earnings are exempt from New Hampshire interest and dividends tax.
What we like most:	Strong and experience program manager Fidelity Investments.

What we dislike most:	Account owner and beneficiary may not be the same person.
New Developments:	Click here for new developments.



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<i>Maine</i>	
Type of Program:	Savings
Name of program:	NextGen College Investing Plan
Initial Year of Operation:	1999
Telephone:	1-877-463-9843
Internet:	www.nextgenplan.com
Residency requirements:	None
Age/time requirements:	None
Basic program description:	Accounts may be used to pay for all higher education expenses allowed under Section 529. Earnings are exempt from Maine income tax if used for college.
Maximum contribution:	\$145,000
Minimum contribution:	\$250 lump sum or \$50 month with automatic deposit
Investment information:	Age-based portfolios using a blend of existing Merrill Lynch Asset Management mutual funds. Options exist to invest 100% in equity funds, 75/25 in equity/fixed income funds, and 100% in fixed income.
Enrollment period:	Open
Program fee:	\$50 annual maintenance fee, waived for Maine residents and for accounts with at least \$2,500 in contributions for the year and for accounts that reach \$20,000 in value. Annual program management fees totaling 0.6% of net asset value and expense ratios in the portfolios ranging from 0.76% to 0.98%.
What we like most:	Strong program manager with Merrill Lynch.

What we dislike most:	The program will be sold through sales reps from Merrill Lynch, other investment companies in Maine, and Maine banking institutions who may not have full knowledge of the intricacies of 529 Plans (although specialists will be available by telephone).
New developments:	Click here for new developments!



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CS FOR HOUSE BILL NO. 268()

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MURKOWSKI, Therriault

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a University of Alaska postsecondary education savings
2 program, to the Alaska Higher Education Savings Trust, and to the Alaska
3 advance college tuition savings fund; and providing for an effective date."

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

5 * Section 1. AS 09.25.120(a)(7) is amended to read:

6 (7) names, addresses, and other information identifying a person as a
7 participant in the Alaska Higher Education Savings Trust under AS 14.40.802 or
8 the advance college tuition savings [PAYMENT] program under AS 14.40.803 -
9 14.40.817;

10 * Sec. 2. AS 09.38.015(a)(9) is amended to read:

11 (9) tuition credit or savings accounts [CREDITS] under a higher
12 education savings account established under AS 14.40.802 or an advance college
13 tuition savings [PAYMENT] contract authorized under AS 14.40.809(a);

14 * Sec. 3. AS 14.40.170(a) is amended by adding a new paragraph to read:

1 (10) administer, manage, market, and promote a postsecondary
2 education savings program; the program must include the Alaska Higher Education
3 Savings Trust under AS 14.40.802 and the Alaska advance college tuition savings fund
4 under AS 14.40.803 - 14.40.817.

5 * Sec. 4. AS 14.40 is amended by adding a new section to article 6 to read:

6 **Sec. 14.40.802. Alaska Higher Education Savings Trust.** (a) The Alaska
7 Higher Education Savings Trust is established in the University of Alaska. The
8 purpose of this trust is to secure obligations to participants and beneficiaries under a
9 postsecondary education savings program operated by the University of Alaska and to
10 provide participants a convenient method of saving for college or other postsecondary
11 education. The Board of Regents of the University of Alaska shall

12 (1) adopt policies that provide for the administration, management,
13 promotion, and marketing of the trust;

14 (2) maintain the trust in compliance with requirements of 26 U.S.C.
15 (Internal Revenue Code) for a qualified state tuition program as defined in
16 26 U.S.C. 529;

17 (3) coordinate savings options established under the trust and the
18 administration of the trust with the Alaska advance college tuition savings fund (AS
19 14.40.803), including the creation of common administrative and record-keeping
20 systems, marketing programs, and operating reserves;

21 (4) establish participation agreements, including application, savings
22 options, and withdrawal procedures;

23 (5) enter into participation agreements with participants for the

24 (A) accumulation, investment, and distribution of funds;

25 (B) payment or reimbursement of qualified higher education
26 expenses; and

27 (C) benefit of a beneficiary;

28 (6) enter into contracts with one or more contractors, including
29 investment managers; in determining the persons to act as investment managers,
30 consideration must be given to the qualifications of the contractor, including the
31 contractor's ability to

1 (A) administer financial programs with individual account
2 maintenance and reporting;

3 (B) develop, market, and administer investment options
4 appropriate for the trust; and

5 (C) augment the savings program with other beneficial products
6 and services;

7 (7) allow both residents and nonresidents to participate in the trust;

8 (8) allow the transfer or rollover of funds from the Alaska advance
9 college tuition savings fund and other qualified state tuition programs under 26 U.S.C.
10 529 and the participation agreement;

11 (9) allow withdrawals from the trust to be used for qualified higher
12 education expenses, including room and board as allowed by 26 U.S.C. 529;

13 (10) establish penalties for withdrawals from the trust for nonqualified
14 expenses and other distributions as required under 26 U.S.C. 529 or as provided in the
15 participation agreement;

16 (11) engage an independent firm of certified public accountants to audit
17 the financial position of the trust.

18 (b) The board may

19 (1) divide the trust into multiple investment portfolios;

20 (2) commingle amounts credited to some or all accounts for investment
21 purposes;

22 (3) establish trusts and accounts as the board considers appropriate
23 under 26 U.S.C. 529;

24 (4) require trust participants to pay administrative fees;

25 (5) establish earnings reserves as provided in the participation
26 agreement, including reserves for the payment of administrative costs.

27 (c) The University of Alaska, the board, the state, or an agency of the state is
28 not liable for a loss of funds that are invested under a participation agreement or for
29 the denial of a perceived tax or other benefit. The board shall provide written notice
30 to each applicant that there is no guarantee of any rate of return or benefit and that any
31 risk of loss in account value or other benefit rests exclusively with the participant and

1 the beneficiary.

2 (d) Notwithstanding any other provision of law, earnings on funds deposited
3 with the trust are not subject to taxation by the state or a municipality.

4 (e) Funds on deposit with the trust may not be considered by the University
5 of Alaska or an agency of the state to limit eligibility for a state-funded scholarship.

6 (f) A participant has the right, as provided in the participation agreement, to
7 (1) change the beneficiary of an account to another individual who is
8 a member of the family of the former beneficiary; or

9 (2) direct that all or a portion of an account be transferred to an
10 account with a new beneficiary if the new beneficiary is a member of the family of
11 the former beneficiary.

12 (g) The right to change the beneficiary or to transfer between accounts
13 described in (f) of this section may be denied or limited as provided in the
14 participation agreement, including transfers that would result in contributions or
15 account balances in excess of allowable limits under the participation agreement.

16 (h) An account established under this section

17 (1) is exempt from a claim by the creditors of a participant or of a
18 beneficiary;

19 (2) is conclusively presumed to be a spendthrift trust;

20 (3) is not an asset or property of either the participant or the
21 beneficiary;

22 (4) may not be assigned, pledged, or otherwise used to secure a loan
23 or other advancement;

24 (5) is not subject to involuntary transfer or alienation.

25 (i) Except as permitted in 26 U.S.C. 529, a participant or beneficiary may not
26 directly or indirectly direct the investment of an account or earnings on the account.

27 (j) A participant may, as provided in the participation agreement, designate a
28 person other than the participant as a successor participant. The designation of a
29 successor participant does not take effect until the participant dies or is declared legally
30 incompetent. If a participant dies or is declared legally incompetent without having
31 effectively designated a successor participant, the beneficiary may designate a

1 successor participant in the manner prescribed above if the beneficiary is not the same
2 person as the successor participant.

3 (k) The trust, a participation agreement, and this section are intended to
4 comply with the requirements of 26 U.S.C. 529 and shall be interpreted in that manner
5 to the extent permitted by law.

6 (l) The trust and participation agreements may be modified or amended on a
7 retroactive basis in order to maintain compliance with 26 U.S.C. (Internal Revenue
8 Code) and to maintain efficient operation of the trust as determined by the board.

9 (m) A name, address, or other information identifying a person as a participant
10 or beneficiary in the trust is confidential.

11 (n) In this section,

12 (1) "account" means an individual trust account established under this
13 section;

14 (2) "beneficiary" means any person designated by a participation
15 agreement, or by another method of designation authorized in this section, to benefit
16 from payments for qualified higher education expenses at an eligible educational
17 institution;

18 (3) "board" means the Board of Regents of the University of Alaska;

19 (4) "member of the family" has the meaning given in 26 U.S.C. 529(e);

20 (5) "participant" means a person who has entered into a participation
21 agreement or has been appointed as a participant as provided in this section and in the
22 participation agreement;

23 (6) "participation agreement" means an agreement between a participant
24 and the board providing for the establishment by the participant of one or more
25 accounts under this section and for the administration of those accounts for the benefit
26 of the participant and the beneficiary;

27 (7) "qualified higher education expenses" has the meaning given in
28 26 U.S.C. 529(e);

29 (8) "trust" means the Alaska Higher Education Savings Trust.

30 * Sec. 5. AS 14.40.803 is amended to read:

31 **Sec. 14.40.803. Alaska advance college tuition savings [PAYMENT] fund**

1 [ESTABLISHED]. (a) The Alaska advance college tuition savings [PAYMENT]
2 fund is established as a nonlapsing fund of the University of Alaska. The [FUND IS
3 ESTABLISHED FOR THE] purpose of the fund is to secure obligations to
4 participants under a postsecondary education savings program operated by the
5 University of Alaska and to enhance [ENHANCING] the ability of the university to
6 provide (1) higher education for the people of the state; (2) wide and affordable access
7 to higher education for residents and their children; (3) an incentive for residents to
8 achieve higher academic standards in grades 7 - 12; and (4) an incentive for residents
9 to continue and complete secondary and postsecondary education. The fund may be
10 divided into separate accounts for accounting purposes.

11 (b) The fund consists of

12 (1) permanent fund dividend and cash contributions made under
13 AS 14.40.807 under the terms of an advance college tuition savings [PAYMENT]
14 contract;

15 (2) appropriations, gifts, bequests, and contributions; and

16 (3) income and earnings of the fund.

17 (c) Assets of the fund shall be expended to make payments to the university
18 and other eligible educational institutions, including payments for refunds, redemptions,
19 and awards under a savings [AN ADVANCE TUITION PAYMENT] contract or
20 scholarships, [A PREPAID TUITION SCHOLARSHIP, AND] costs of administration,
21 and other obligations of the fund.

22 * Sec. 6. AS 14.40.807(a) is amended to read:

23 (a) Contributions to the fund under the terms of an advance college tuition
24 savings [PAYMENT] contract may be made by direct cash payments or by
25 contributions from the permanent fund dividend. The Department of Revenue shall

26 (1) prepare the permanent fund dividend application to allow an
27 applicant or a parent, legal guardian, or other authorized representative of an applicant
28 who is an unemancipated minor to contribute 50 percent of a dividend to the fund
29 [UNDER THE TERMS OF AN ADVANCE TUITION PAYMENT CONTRACT]; and

30 (2) include with each application for a permanent fund dividend an
31 explanation of the advance college [ADVANCED] tuition savings [PAYMENT]

1 program, including the right to receive a refund, a disclosure of the potential tax
2 liability of the fund, and disclosure of the possible general effect of the tax liability on
3 the advance college tuition savings [PAYMENT] program.

4 * Sec. 7. AS 14.40.809 is amended to read:

5 **Sec. 14.40.809. Powers and duties of the University of Alaska.** (a) The
6 Board of Regents of the University of Alaska may contract with a purchaser for the
7 purchase of advance college tuition credits for the payment of tuition and other
8 qualified higher education expenses [BY THE PURCHASER] for a beneficiary of any
9 age to attend a branch of the university or other eligible educational institution to
10 which the beneficiary is admitted. A purchaser and a beneficiary may be the same
11 person.

12 (b) The board shall

13 (1) make appropriate arrangements as necessary to fulfill the board's
14 obligations under an advance college tuition savings [PAYMENT] contract;

15 (2) establish and adopt a formal plan for administration of the advance
16 college tuition savings [PAYMENT PROGRAM AND PREPAID TUITION
17 SCHOLARSHIP] program; the terms and conditions of the plan shall be considered
18 a part of an advance college tuition savings [PAYMENT] contract;

19 (3) establish investment objectives, criteria, and asset allocation
20 guidelines for the fund based on prudent institutional investor guidelines and actuarial
21 analysis of the earnings requirements for the advance college tuition savings
22 [PAYMENT] plan; and

23 (4) enter into contracts or agreements considered necessary for the
24 investment of the fund, including contracts or agreements with investment
25 managers, consultants, and other custodians of the fund;

26 (5) engage a financial advisor to annually report on the investment
27 performance of the fund;

28 (6) engage an independent firm of certified public accountants to
29 audit the financial position of the fund;

30 (7) do all acts, whether or not expressly authorized, that the board
31 considers necessary or proper in administering the assets of the fund;

1 (8) enter into reciprocal agreements with Sheldon Jackson College,
2 Alaska Pacific University, and other eligible educational institutions or state tuition
3 programs that the board determines to be beneficial to the advance college tuition
4 savings [PAYMENT] program;

5 (9) coordinate savings options established under the Alaska advance
6 college tuition savings program and the administration of the fund with the
7 Alaska Higher Education Savings Trust (AS 14.40.802) including the creation of
8 common administrative and record-keeping systems, marketing programs, and
9 operating reserves.

10 * Sec. 8. AS 14.40.811 is amended to read:

11 Sec. 14.40.811. Advance college tuition savings [PAYMENT] contracts. (a)

12 An advance college tuition savings [PAYMENT] contract must set out or include by
13 reference to the plan

14 (1) the name and date of birth of the purchaser and the beneficiary
15 under the contract;

16 (2) the number of advance college [PREPAID] tuition credits
17 purchased under the contract;

18 (3) the terms and conditions under which the contract may be
19 terminated and refunds made;

20 (4) the assumption of a contractual obligation by the board to provide
21 funding for specified education benefits for [TO] the beneficiary in accordance with
22 the terms of the plan;

23 (5) the period of time during which the beneficiary may receive the
24 benefits of the contract; and

25 (6) other terms and conditions the board determines to be appropriate
26 or that are required under 26 U.S.C. [BY THE UNITED STATES] (Internal Revenue
27 Code).

28 (b) An advance college tuition savings [PAYMENT] contract may be
29 terminated

30 (1) if the board determines that the number of purchasers is insufficient
31 to maintain the fund on an actuarially sound basis; or

1 (2) under other circumstances determined by the board and set out in
2 the advance tuition savings [PAYMENT] contract or in the plan.

3 * Sec. 9. AS 14.40.817(1) is amended to read:

4 (1) "advance college tuition savings [PAYMENT] contract" or
5 "contract" means a contract entered into by the board and a purchaser to provide for
6 the qualified higher education expenses of a beneficiary;

7 * Sec. 10. AS 14.40.817(5) is amended to read:

8 (5) "fund" means the Alaska advance college tuition savings
9 [PAYMENT] fund established under AS 14.40.803;

10 * Sec. 11. AS 14.40.817(6) is amended to read:

11 (6) "plan" means the formal plan for administration of an advance
12 college tuition savings [PAYMENT] program [AND PREPAID TUITION
13 SCHOLARSHIP PROGRAM] adopted by the board under AS 14.40.809(b);

14 * Sec. 12. AS 14.40.817(7) is amended to read:

15 (7) "purchaser" means the person who is named in the contract and has the
16 rights conferred upon a purchaser under an advance college tuition savings
17 [PAYMENT] contract;

18 * Sec. 13. AS 45.55.990(32) is amended to read:

19 (32) "security" means a note; stock; treasury stock; bond; debenture;
20 evidence of indebtedness; certificate of interest or participation in any profit-sharing
21 agreement; limited liability company interest under AS 10.50, notwithstanding the
22 limitations of AS 45.08.103(c); collateral-trust certificate; preorganization certificate
23 or subscription; transferable share; investment contract; voting-trust certificate;
24 certificate of deposit for a security; certificate of interest or participation in an oil, gas,
25 or mining title or lease or in payments out of production under the title or lease or in
26 any sale of or indenture or bond or contract for the conveyance of land or any interest
27 in land; an option on a contract for the future delivery of agricultural or mineral
28 commodities or any other commodity offered or sold to the public and not regulated
29 by the Commodity Futures Trading Commission; however, the contract or option is not
30 subject to the provisions of AS 45.55.070 if it is sold or purchased on the floor of a
31 bona fide exchange or board of trade and offered or sold to the public by a broker-

1 dealer or agent registered under this chapter; investment of money or money's worth
2 including goods furnished or services performed in the risk capital of a venture with
3 the expectation of some benefit to the investor where the investor has no direct control
4 over the investment or policy decision of the venture; or, in general, any interest or
5 instrument commonly known as a "security," or any certificate of interest or
6 participation in, temporary or interim certificate for, receipt for, guarantee of, or
7 warrant or right to subscribe to or purchase, any of the foregoing; "security" does not
8 include a participation agreement entered into under AS 14.40.802 or an insurance
9 or endowment policy or annuity contract under which an insurance company promises
10 to pay a fixed or variable sum of money either in a lump sum or periodically for life
11 or for some other specified period;

12 * Sec. 14. AS 14.40.805 is repealed.

13 * Sec. 15. This Act takes effect immediately under AS 01.10.070(c).

ALASKA STATE LEGISLATURE

Chair:
MILITARY AND VETERANS AFFAIRS

Member:
JUDICIARY
COMMUNITY AND REGIONAL AFFAIRS
LABOR AND COMMERCE



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REPRESENTATIVE LISA MURKOWSKI

Government Hill • Elmendorf • East Anchorage

House Bill 268 – Higher Education Savings Trust Sponsor's Statement

Alaska, through its student loan program and the Advance College Tuition program has traditionally offered its residents seeking a higher education, solid financial options. HB 268 continues this trend and will allow residents and non-residents alike the ability to put money into a trust fund that may be used for higher education expenses. HB 268 will ensure that Alaskans will continue to have flexible and powerful financial options to utilize for their higher education.

Under IRS code 26 USC 529 commonly known as "Section 529," states are allowed to create "qualified State tuition programs." Section 529 defines "qualified State tuition program" as a program established and maintained by a State or an agency under which a person may either purchase tuition credits or certificates on behalf of a designated beneficiary which entitle the beneficiary to the waiver or payment of qualified higher education expense of the beneficiary; or, may make contributions to an account which is established for the purpose of meeting the qualified higher education expenses of the designated beneficiary.

Under Section 529, individuals are permitted to front load large sums of money, in some states in excess of \$100,000, gift-tax free either in one lump sum or over a 5 - year period. Quite a contrast to the \$500 annual limit on the Education IRA. Furthermore, the participant may change the beneficiary at any time and may even choose him or herself to be the beneficiary. Section 529 provides unprecedented flexibility and savings power.

As approximately forty other states have done, House Bill 268 establishes a qualified State tuition program. The program will be administered by the University of Alaska and will be known as the "Alaska Higher Education Savings Trust." The bill also changes the structure of the current Advance College Tuition program by updating its structure to conform to new IRS codes and changing the name of the program to the Advance College Tuition Savings Fund. In order to keep the overhead, record keeping and marketing costs to a minimum, HB 268 places both programs under one administrative head.

It is vital that this education savings program be flexible and designed to maximize returns for the investor with minimal tax consequences. Not only is this important so that Alaskans are able to have meaningful savings options for their higher education, but, with a strong program, it should entice non-residents as well to invest their savings dollars in Alaska.

I urge your support of HB 268. Thank you for your consideration.

SPONSOR STATEMENT

program if it allows any interest in the program or any portion thereof to be used as security for a loan.

(7) Prohibition on excess contributions

A program shall not be treated as a qualified State tuition program unless it provides adequate safeguards to prevent contributions on behalf of a designated beneficiary in excess of those necessary to provide for the qualified higher education expenses of the beneficiary.

(c) Tax treatment of designated beneficiaries and contributors

(1) In general

Except as otherwise provided in this subsection, no amount shall be includible in gross income of -

(A) a designated beneficiary under a qualified State tuition program, or

(B) a contributor to such program on behalf of a designated beneficiary,

with respect to any distribution or earnings under such program.

(2) Gift tax treatment of contributions

For purposes of chapters 12 and 13 -

(A) In general

Any contribution to a qualified tuition program on behalf of any designated beneficiary -

(i) shall be treated as a completed gift to such beneficiary which is not a future interest in property, and

(ii) shall not be treated as a qualified transfer under section 2503(e).

(B) Treatment of excess contributions

If the aggregate amount of contributions described in subparagraph (A) during the calendar year by a donor exceeds the limitation for such year under section 2503(b), such aggregate amount shall, at the election of the donor, be taken into account for purposes of such section ratably over the 5-year period beginning with such calendar year.

(3) Distributions

(A) In general

Any distribution under a qualified State tuition program shall be includible in the gross income of the distributee in the manner as provided under section 72(b) to the extent not excluded from gross income under any other provision of this chapter.

(B) In-kind distributions

Any benefit furnished to a designated beneficiary under a qualified State tuition program shall be treated as a distribution to the beneficiary.

(C) Change in beneficiaries

(i) Rollovers

Subparagraph (A) shall not apply to that portion of any distribution which, within 60 days of such distribution, is transferred to the credit of another designated beneficiary under a qualified State tuition program who is a member of the family of the designated beneficiary with respect to which the distribution was made.

(ii) Change in designated beneficiaries

Any change in the designated beneficiary of an interest in a qualified State tuition program shall not be treated as a distribution for purposes of subparagraph (A) if the new beneficiary is a member of the family of the old beneficiary.

(D) Operating rules

For purposes of applying section 72 -

(i) to the extent provided by the Secretary, all qualified State tuition programs of which an individual is a designated beneficiary shall be treated as one program,

(ii) all distributions during a taxable year shall be treated as one distribution, and

(iii) the value of the contract, income on the contract,

and investment in the contract shall be computed as of the close of the calendar year in which the taxable year begins.

(4) Estate tax treatment

(A) In general

No amount shall be includible in the gross estate of any individual for purposes of chapter 11 by reason of an interest in a qualified tuition program.

(B) Amounts includible in estate of designated beneficiary in certain cases

Subparagraph (A) shall not apply to amounts distributed on account of the death of a beneficiary.

(C) Amounts includible in estate of donor making excess contributions

In the case of a donor who makes the election described in paragraph (2)(B) and who dies before the close of the 5-year period referred to in such paragraph, notwithstanding subparagraph (A), the gross estate of the donor shall include the portion of such contributions properly allocable to periods after the date of death of the donor.

(5) Other gift tax rules

For purposes of chapters 12 and 13 -

(A) Treatment of distributions

Except as provided in subparagraph (B), in no event shall a distribution from a qualified tuition program be treated as a taxable gift.

(B) Treatment of designation of new beneficiary

The taxes imposed by chapters 12 and 13 shall apply to a transfer by reason of a change in the designated beneficiary under the program (or a rollover to the account of a new beneficiary) only if the new beneficiary is a generation below the generation of the old beneficiary (determined in accordance with section 2651).

(d) Reports

FISCAL NOTE

STATE OF ALASKA

BILL NO. SB 186

2000 LEGISLATIVE SESSION

Revision Date (Note if correction)	Dept. Affected	University of Alaska
Title	BRU	Statewide
Savings Trust and the Alaska Advance College Tuition Savings Fund	Component	
Sponsor	Senator Tim Kelly	
Requester	Component Serial No.	

Expenditures/Revenues

OPERATING EXPENDITURES	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	50.0	50.0	50.0	50.0	50.0
Travel	10.0	5.0	5.0	5.0	5.0
Contractual	90.0	20.0	20.0	20.0	20.0
Supplies	30.0	25.0	25.0	25.0	25.0
Equipment	20.0				
Land & Structures					
Grants & Claims					
Miscellaneous					
TOTAL OPERATING	200.0	100.0	100.0	100.0	100.0

CAPITAL EXPENDITURES					
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CHANGE IN REVENUES ()	()	60.0	70.0	80.0	90.0	100.0
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FUND SOURCE

1002 Federal Receipts					
1003 GF Match					
1004 GF					
1005 GF/Program Receipts					
1037 GF/Mental Health					
1048 University Receipts	200.0	100.0	100.0	100.0	100.0
TOTAL	200.0	100.0	100.0	100.0	100.0

Estimate of any current year (FY00) cost: none

POSITIONS

Full-time	1	1	1	1	1
Part-time					
Temporary					

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

At this time there are many uncertainties about how the program can be best implemented. However, many of these cost will otherwise have to be incurred by the Advance College Tuition Program without regard to creation of the Alaska Higher Education Trust in order to meet participants needs for higher earning options. The Advance College Tuition program continues to have an important role in financing education, but changes in the federal tax and other laws currently favor more aggressive savings programs.

Prepared by	<u>Jim Lynch, Interim Vice President for Finance</u>	Phone
Division	<u>Statewide Finance</u>	Date <u>11/20/00</u>
Approved by Commission	<u>Jim Lynch, Interim Vice President for Finance</u>	Date
Agency	<u>Statewide Finance</u>	

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FISCAL NOTE

STATE OF ALASKA

BILL NO. HB 268

2000 LEGISLATIVE SESSION

Revision Date (Note if correction)		Dept. Affected	<u>University of Alaska</u>
Title	<u>An Act relating to the Alaska Higher Education Savings Trust; and providing for an effective date.</u>	BRU	<u>Statewide</u>
Sponsor	<u>Representative Lisa Murkowski</u>	Component	
Requester		Component Serial No.	

Expenditures/Revenues

OPERATING EXPENDITURES	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	50.0	50.0	50.0	50.0	50.0
Travel	10.0	5.0	5.0	5.0	5.0
Contractual	90.0	20.0	20.0	20.0	20.0
Supplies	30.0	25.0	25.0	25.0	25.0
Equipment	20.0				
Land & Structures					
Grants & Claims					
Miscellaneous					
TOTAL OPERATING	200.0	100.0	100.0	100.0	100.0

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

CHANGE IN REVENUES ()	○	60.0	70.0	80.0	90.0	100.0
-------------------------------	---	------	------	------	------	-------

FUND SOURCE

1002 Federal Receipts					
1003 GF Match					
1004 GF					
1005 GF/Program Receipts					
1037 GF/Mental Health					
1048 University Receipts	200.0	100.0	100.0	100.0	100.0
TOTAL	200.0	100.0	100.0	100.0	100.0

Estimate of any current year (FY00) cost: none

POSITIONS

Full-time	1	1	1	1	1
Part-time					
Temporary					

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

At this time there are many uncertainties about how the program can be best implemented. However, many of these cost will otherwise have to be incurred by the Advance College Tuition Program without regard to creation of the Alaska Higher Education Trust in order to meet participants needs for higher earning options. The Advance College Tuition program continues to have an important role in financing education, but changes in the federal tax and other laws currently favor more aggressive savings programs.

Prepared by	<u>Jim Lynch, Interim Vice President for Finance</u>	Phone <u>907-474-7445</u>
Division	<u>Statewide Finance</u>	Date
Approved by	<u>Commissioner Jim Lynch, Interim Vice President for Finance</u>	Date <u>7/26/00</u>
Agency	<u>Statewide Finance</u>	

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1-LS1235\H.1

Ford

1/31/00

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE MURKOWSKI

TO: CSHB 268(), Draft Version "H"

- 1 Page 4, line 16:
- 2 Delete "An"
- 3 Insert "Except as provided under AS 34.40.110, an"

Sec. 34.40.110. Restricting transfers of trust interests.

(a) A person who in writing transfers property in trust may provide that the interest of a beneficiary of the trust may not be either voluntarily or involuntarily transferred before payment or delivery of the interest to the beneficiary by the trustee. In this subsection,

(1) "property" includes real property, personal property, and interests in real or personal property;

(2) "transfer" means any form of transfer, including deed, conveyance, or assignment.

(b) If a trust contains a transfer restriction allowed under (a) of this section, the transfer restriction prevents a creditor existing when the trust is created, a person who subsequently becomes a creditor, or another person from satisfying a claim out of the beneficiary's interest in the trust, unless the

(1) transfer was intended in whole or in part to hinder, delay, or defraud creditors or other persons under AS 34.40.010 ;

(2) trust provides that the settlor may revoke or terminate all or part of the trust without the consent of a person who has a substantial beneficial interest in the trust and the interest would be adversely affected by the exercise of the power held by the settlor to revoke or terminate all or part of the trust; in this paragraph, "revoke or terminate" does not include a power to veto a distribution from the trust, a testamentary special power of appointment or similar power, or the right to receive a distribution of income, corpus, or both in the discretion of a person, including a trustee, other than the settlor;

(3) trust requires that all or a part of the trust's income or principal, or both, must be distributed to the settlor; or

(4) at the time of the transfer, the settlor is in default by 30 or more days of making a payment due under a child support judgment or order.

(c) The satisfaction of a claim under (b)(1) - (4) of this section is limited to that part of the trust to which (b)(1) - (4) of this section applies.

(d) A cause of action or claim for relief with respect to a fraudulent transfer under (b)(1) of this section, or under other law, is extinguished unless the action is brought as to a person who

(1) is a creditor when the trust is created, within the later of

(A) four years after the transfer is made; or

(B) one year after the transfer is or reasonably could have been discovered by the person; or

(2) becomes a creditor subsequent to the transfer into trust, within four years after the transfer is made.

(e) If a trust contains a transfer restriction allowed under (a) of this section, the transfer restriction prevents a creditor existing when the trust is created, a person who subsequently becomes a creditor, or another person from asserting any cause of action or claim for relief against a trustee of

the trust or against others involved in the preparation or funding of the trust for conspiracy to commit fraudulent conveyance, aiding and abetting a fraudulent conveyance, or participation in the trust transaction. The creditor and other person prevented from asserting a cause of action or claim for relief is limited to recourse against the trust assets and the settlor to the extent allowed under AS 34.40.010 .

(f) In this section, "settlor" means a person who transfers real property, personal property, or an interest in real or personal property, in trust.

FISCAL NOTE

STATE OF ALASKA

BILL NO. CSHB268 (HES)

2000 LEGISLATIVE SESSION

Revision Date (Note if correction) _____	Dept. Affected _____	University of Alaska _____
Title <u>An Act relating to the Alaska Higher Education Savings Trust; and providing for an effective date.</u>	BRU _____	<u>Statewide</u>
_____	Component _____	_____
_____	_____	_____
Sponsor _____	_____	_____
Requester <u>Representative Lisa Murkowski</u>	Component Serial No. _____	_____

Expenditures/Revenues

OPERATING EXPENDITURES	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	50.0	50.0	50.0	50.0	50.0
Travel	10.0	5.0	5.0	5.0	5.0
Contractual	90.0	20.0	20.0	20.0	20.0
Supplies	30.0	25.0	25.0	25.0	25.0
Equipment	20.0				
Land & Structures					
Grants & Claims					
Miscellaneous					
TOTAL OPERATING	200.0	100.0	100.0	100.0	100.0

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

CHANGE IN REVENUES ()	60.0	70.0	80.0	90.0	100.0
-------------------------------	------	------	------	------	-------

FUND SOURCE

1002 Federal Receipts					
1003 GF Match					
1004 GF					
1005 GF/Program Receipts					
1037 GF/Mental Health					
1048 University Receipts	200.0	100.0	100.0	100.0	100.0
TOTAL	200.0	100.0	100.0	100.0	100.0

Estimate of any current year (FY00) cost: none

POSITIONS

Full-time	1	1	1	1	1
Part-time					
Temporary					

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

At this time there are many uncertainties about how the program can be best implemented. However, many of these cost will otherwise have to be incurred by the Advance College Tuition Program without regard to creation of the Alaska Higher Education Trust in order to meet participants needs for higher earning options. The Advance College Tuition program continues to have an important role in financing education, but changes in the federal tax and other laws currently favor more aggressive savings programs.

Prepared by Jim Lynch, Interim Vice President for Finance
 Division Statewide Finance
 Approved by Commissioner Jim Lynch, Interim Vice President for Finance
 Agency Statewide Finance

Phone 474-7448
 Date 2/1/00
 Date 2/1/00

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HB

269

Alaska State Legislature

REPRESENTATIVE
GENE THERRIAULT

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Fax: (907) 488-4271

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House District 33

House Of Representatives

REQUEST FOR HEARING

To: Representative Fred Dyson, Chairman
House Health, Education & Social Services Committee

Subject: HB 269

Sponsor: Representative Gene Therriault 

Date: February 22, 2000

I would like to respectfully request that HB 269 be scheduled for a hearing before the House Health, Education & Social Services Committee.

House Bill 269 establishes an 18-month pilot project to study the use of videotaping of interviews with children who are alleged to have been abused or neglected. The project would begin no later than January 21, 2001 in a municipality with a population no less than 40,000 and no more than 150,000 selected by the Department of Health & Social Services. The Department would be required to submit an interim report to the Legislature in January of 2002 and a final report in January 2003 that would outline the problems encountered, benefits discovered and other information relevant to whether the videotaping requirement should be implemented statewide.

I am aware that another bill dealing with videotaping interviews, House Bill 256, is also currently in the House HESS Committee. It is my understanding that that bill is accompanied by a \$3.1 million fiscal note. I believe a pilot project as proposed in my bill could be structured to avoid most of these costs while providing valuable information on the feasibility of this requirement. I would welcome the opportunity to testify on HB 269 in tandem with HB 256 to compare the relative merits of both bills.

Although I am the prime sponsor of HB 269, I will defer to the Committee's discretion on how best to advance discussion on and implementation of this concept. I am more than willing to consider any proposed change to HB 269 to tighten the language or shorten the implementation or study time. I am also not opposed to working this issue through a different bill.

Alaska State Legislature

REPRESENTATIVE
GENE THERRIAULT

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Fairbanks, Alaska 99701

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House District 33

House Of Representatives

House Bill 269

Sponsor: Representative Gene Therriault

Sponsor Statement

House Bill 269 establishes an 18-month pilot project to study the use of videotaping of interviews with children who are alleged to have been abused or neglected. The project would begin no later than January 21, 2001 in the Fairbanks North Star Borough. The Department would be required to submit an interim report to the Legislature in January of 2002 and a final report in January 2003 that would outline the problems encountered, benefits discovered and other information relevant to whether the videotaping requirement should be implemented statewide.

The bill provides an exception to the videotaping requirement if "it is determined that an interview is immediately necessary because of exigent circumstances or that, due to extraordinary circumstances, videotaping equipment is unavailable or inoperable." In addition, the bill provides that the failure to videotape an interview of a child does not affect the admissibility of the interview, or the authority or ability of a state or municipal law enforcement or prosecution agency to use the interview or information obtained from it.

When this program has been considered on a statewide basis in the past, it has been accompanied by a fiscal note of up to \$2.1 million. House Bill 256, a bill mandating the use of videotapes in child abuse interviews that was introduced this year by Representative John Coghill, is accompanied by a \$3.1 million fiscal note. I believe a pilot project as proposed in my bill could be structured to avoid most of these costs while providing valuable information on the feasibility of this requirement. I believe that careful implementation of an interview videotaping system will discourage false allegations and allow us to focus scarce resources on true cases of child abuse.

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 269

Revision Date/Time (Note if correction): _____
Title: Pilot Project for videotaping CINA interviews.

Dept. Affects: Health and Social Services
BRU: Family and Youth Services
Component: Front Line Social Workers
COMPONENT SERIAL NO. 2305
See also (SN#): _____

Sponsor: Rep. Therriault
Requestor: House (HES)

Expenditures/Revenues: (Thousands of Dollars)

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

OPERATING	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
PERSONAL SERVICES	300.2	300.2				
TRAVEL	5.0	5.0				
CONTRACTUAL	114.7	158.0	50.0			
SUPPLIES	6.5	6.5				
EQUIPMENT	50.7	1.8				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	477.1	471.6	50.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	477.1	471.6	50.0			
1005 GF/Program Receipts						
1037 G.F./Mental Health						
Other (please specify)						
TOTAL	477.1	471.6	50.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: \$0.0

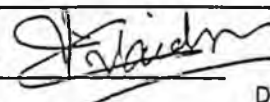
POSITIONS:

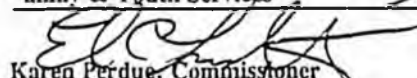
FULL-TIME						
PART-TIME						
TEMPORARY	7	7	0			

ANALYSIS: (Attach a separate page if necessary)

Program Effects: If adequately funded, DFYS does not oppose this pilot as a means of ascertaining the efficacy as well as the programmatic and fiscal costs of videotaping interviews with children. This pilot is particularly useful because it allows for exigent circumstances (which can cause some interviews to be immediately necessary) and because it recognizes that extraordinary circumstances may cause equipment unavailability or failure. The pilot appropriately provides that failure to videotape should not result in an inability to proceed to act on the information obtained.

Costs of even a pilot program will be significant. In order to perform effective interviews, DFYS will be required to use two persons in every investigation, since fixed cameras and tripods are not effective or accurate for videotaping children, who frequently squirm and move around during interview sessions. Additional staff will need for taping interviews as well as managing (organizing, cataloging, storing, retrieving, and copying) the large number of videotapes that will accumulate. To be effective, the pilot must provide the resources to maintain a valid control group. Sufficient resources must be made available to enable DFYS to commit a high quality of effort to the evaluation and the reporting components of the pilot as well.

Prepared by: Theresa Tanoury, Director  Phone: 465-3191
Division: Family & Youth Services Date/Time: 2/25/00 3:39 PM

gjs
Approved by Commissioner: Karen Perdue, Commissioner  Date: 2/28/00
Agency: Department of Health & Social Services

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ANALYSIS (cont.):

Key assumptions used in fiscal analysis:

- 1) Videotaping Pilot Project to be conducted in the DFYS Fairbanks Field Office. The Fairbanks area was selected because it meets the population requirements stipulated in the bill and the Fairbanks Field office has the second highest level of Reports of Harm in the state (behind Anchorage) providing for a large caseload population and sample size for the Pilot Project.
- 2) Half of the cases assigned for investigation in the Fairbanks Field Office will be videotaped with the remainder (the control group) investigated using standard practice (not taped) based on 1,725 total estimated cases assigned.
- 3) Pilot Project to be implemented prior to January 1, 2001. Social Services Associate (SSA) positions to be hired prior to implementation date for training and possible early implementation.
- 4) 7 new SSA III's (Range 12) will be needed to assist in taping interviews and managing the videotapes (organizing, cataloging, storing, retrieving and copying). Positions to be maintained for two fiscal years to provide for the 18-month pilot project, training (videotaping, archiving, division policies and procedures, etc.) and pilot program development period. The 7 SSA III's would be assigned to work with approximately 12 Social Workers (8 Social Workers from the Intake Unit and 4 from the Ongoing Unit). Seven SSA's are needed because interviews will take place in multiple locations (i.e., schools, homes, hospitals, etc.) and multiple interviews may occur simultaneously.
- 5) Pilot Project evaluation reports: Written Interim Report due to the Legislature in January 2002. Final report due to Legislature January 2003. DFYS would contract with an independent consultant to prepare these reports.

	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>
71000: Personal Services			
7 New Social Services Associate III positions Range 12:	300.2	300.2	
72000: Travel	5.0	5.0	
73000: Contractual			
Transcription (Based on 50% of 1,725 assigned investigations).	69.0	69.0	
Language Translation for Videotapes (10%)	12.1	12.1	
Archiving Videotapes	0.2	0.2	
Pilot Project Evaluation (taped vs. non-taped control group)		50.0	50.0
Training (2 trainers for 3 days training)	9.0	2.3	
Repair/Maintenance of Equipment:	1.7	1.7	
Office space for new employees:	21.8	21.8	
Telephone service for new employee:	<u>0.9</u>	<u>0.9</u>	-
	114.7	158.0	50.0
74000: Supplies			
Videotapes (Based on 50% of 1,725 investigations @ \$3.50 per tape)	3.0	3.0	
Office supplies for new employees:	<u>3.5</u>	<u>3.5</u>	-
	6.5	6.5	0.0
75000: Equipment			
Video Cameras (\$650 per unit)	5.9		
Carrying Cases (\$250 per unit)	2.3		
Tripods (\$75 per unit)	0.7		
VCR's (\$125 per VCR)	1.1		
Monitors (\$250 per monitor)	2.3		
Computers for new employees:	21.0		
Telephone for new employees:	3.5		
Desk/Chair for new employees:	14.0		
Equipment Replacment (15% per year)	-	<u>1.8</u>	-
Sub-total Equipment:	50.7	1.8	0.0
Total Lines 100-500:	477.1	471.6	50.0

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 269

Revision Date		Dept. Affected	Public Safety
Title	VIDEOTAPING OF INTERVIEWS WITH	BRU	Alaska State Trooper Detachments
CHILDREN		Component:	Alaska State Trooper Detachments
Sponsor	Representative Theriault		
Requester	House HESS Committee	Component No.	2325

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING						

CAPITAL EXPENDITURES	0.0	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						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This bill is not expected to have an adverse impact on the budget.

Prepared by: <u>Royce Weller, Special Assistant</u>	Phone: <u>465-4322</u>
Division: <u>Office of the Commissioner</u>	Date/Time: <u>2/29/2000</u>
Approved by: _____	Date: <u>2/29/00</u>
Agency: <u>Commissioner Ronald L. Otte, Dept. of Public Safety</u>	

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HB

270

AMENDMENT

OFFERED IN THE HOUSE HESS

BY REPRESENTATIVE COGHILL

TO: CSHB 270(HESS)

1 Page 1, line 6:

2 After the word "an adult

3 Delete:

4 "AN ADULT"

5 Insert:

6 a

7

8 After the words "victim of sexual assault under AS 11.41.410 – 11.41.425"

9 Insert:

10 who is 16 years of age or older

11

12

13

14

15

16 The purpose of this amendment is to ensure that 16 and 17 year old adults receive the

17 protection from this law as other adults.

18

1-LS1108\M
Luckhaupt
2/25/00

*State AA
Adopted*

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 270()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES CROFT, Halcro, Kerttula, Smalley

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to payment for certain examinations in cases of sexual assault."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 *** Section 1. AS 18.68 is amended by adding a new section to read:**

4 **Sec. 18.68.040. Sexual assault victim may not be required to pay for**
5 **examination. A law enforcement agency, health care facility, or other entity may not**
6 **require an adult victim of sexual assault under AS 11.41.410 - 11.41.425 to pay,**
7 **directly or indirectly, through health insurance or any other means, for the costs of**
8 **examination of the victim necessary for**

9 **(1) collecting evidence using the sexual assault examination kit under**
10 **AS 18.68.010 or otherwise; or**

11 **(2) determining whether a sexual assault has occurred.**



Representative Eric Croft

Sponsor Statement

Sponsor Substitute for House Bill 270

"Payment of Evidentiary Forensic Exams"

SSHB 270 makes sure that adult victims of sexual assault are not charged for the costs of evidentiary forensic exams.

A victim of sexual assault has by definition been victimized once. In order to facilitate investigation of the crime and prosecution of the criminal, a victim is often asked to submit to a forensic exam to gather evidence. The forensic exams often involve taking physical samples and photographs. While it is the ordinary police practice to pay for these evidence gathering exams, some victims now report that they have been asked to pay for the cost of the forensic exam itself through their medical insurance. To many victims of sexual assault, this is a third victimization.

No victim should have to pay the cost of the exam, especially after such a traumatic and painful experience. When a house is burglarized and law enforcement takes photos, fingerprints or electronic analysis of evidence, the victim is never sent the bill, directly or indirectly. Nor should they. We have faith that most law enforcement agencies take responsibility for victims' needs and appropriately pay for evidentiary exams as needed. Those few law enforcement agencies that attempt to transfer this cost to the victim should be stopped.

With the passage of HB 270, victims would be assured that they could not be required to pay for evidentiary forensic exams.

FISCAL NOTE

**STATE OF ALASKA
2000 LEGISLATIVE SESSION**

BILL NO. SSB 270

Revision Date _____	Dept. Affected <u>Public Safety</u>
Title <u>SEXUAL ASSAULT & SEXUAL ABUSE</u>	BRU <u>Alaska State Trooper Detachments</u>
Sponsor <u>Representative Croft</u>	Component: <u>Alaska State Trooper Detachments</u>
Requester <u>H. State Affairs Committee</u>	Component No. <u>2325</u>

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING						

CAPITAL EXPENDITURES	0.0	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						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This bill is not expected to have an adverse impact on the budget.

Prepared by: <u>Royce Weller, Special Assistant</u>	Phone <u>465-4322</u>
Division <u>Office of the Commissioner</u>	Date/Time <u>3/3/2000</u>
Approved by: <u><i>Ronald L. Otte</i></u>	Date <u>3-6-00</u>
Agency <u>Commissioner Ronald L. Otte, Dept. of Public Safety</u>	

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HOUSE COMMITTEE REPORT

Date Referred to Committee: March 15, 2000

FURTHER REFERRALS:

Finance

Date of Committee Action: 03/28/00

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

SSHB 270

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 270

SEXUAL ASSAULT & SEXUAL ABUSE

"An Act relating to sexual assault and sexual abuse and to payment for certain examinations in cases of alleged sexual assault or sexual abuse."

recommends it be replaced with the following committee substitute _____ the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) DPS

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
	<input checked="" type="checkbox"/>			
			<input checked="" type="checkbox"/>	
	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>			
			<input checked="" type="checkbox"/>	

CHAIR'S SIGNATURE

3/28/00

HB

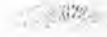
277

ALASKA STATE LEGISLATURE

CO-CHAIR
COMMUNITY AND REGIONAL AFFAIRS

VICE-CHAIR
LABOR AND COMMERCE
TRANSPORTATION

SPECIAL COMMITTEE
ECONOMIC DEVELOPMENT AND TOURISM



REPRESENTATIVE ANDREW HALCRO

District 12

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1-800-465-4939

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716 WEST 4TH, SUITE 620
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HB 277

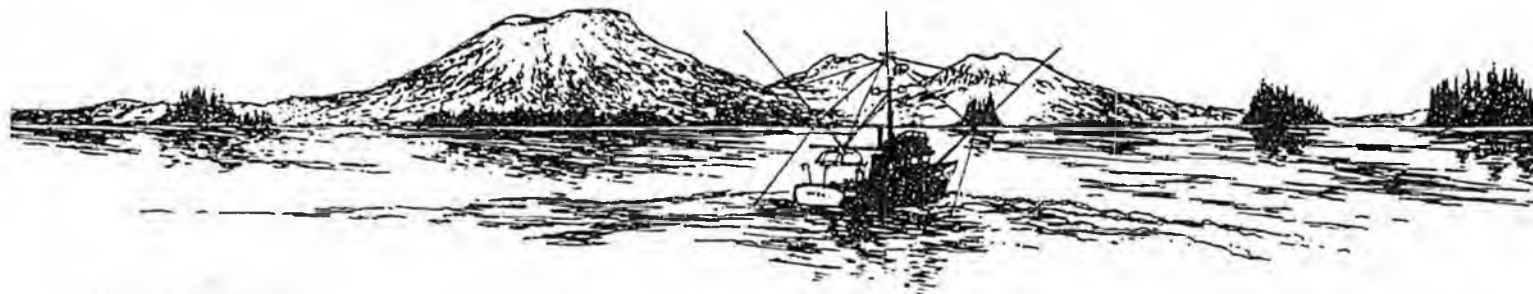
SPONSOR STATEMENT

The pool of qualified teachers in Alaska is shrinking dramatically. The situation is particularly dire in the area of special education. To address this shortage I have sponsored HB 277.

This legislation would allow teachers who have retired to return to teaching in the public schools without forfeiting their retirement benefits. Retired teachers would be able to be re-employed by a school district, but would join as though they were first year teachers for salary purposes. They would continue to receive their retirement benefits, thus reducing the cost to school districts, but compensating experienced teachers through a combination of pay and benefits.

Presently, teachers, once retired, may only work 40% of full-time in a school district without forgoing their retirement benefits. HB 277 would provide school districts with the opportunity to rehire experienced teachers at a lower cost to the public.

SITKA SCHOOL DISTRICT



January 17, 2000

Representative Andrew Halcro
State Capitol, Suite 418
Juneau, AK 99801-1182

Dear Representative Halcro:

Thank you for taking the time to send your proposed legislation to me for comment. I appreciate the opportunity.

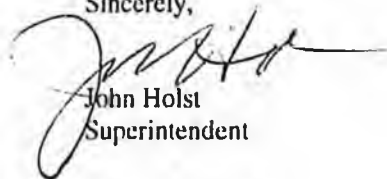
The whole area of certification is fraught with huge implications. Both of your bills do address the need for additional teachers and provide potential avenues to solve the problem short-term, but weakening the requirements for certification could have long-term implications that are very dangerous, relegating teaching to those who just cannot get employment elsewhere. I know that isn't your intention, but the outcome needs serious consideration.

Yes, we are experiencing a nation-wide teacher shortage, but Alaska has taken the problem to a new level by capping salaries since 1985. Flat funding of education has had a huge affect on what districts can pay their teachers. We are now nearing a crisis but we are still refusing to face this reality. In Sitka, which is one of the more attractive locations to recruit teachers, we are having a very difficult time finding quality teachers. In the past, we could expect to hire only those in the top 10% of the profession, and in times of shortage, at least in the top half. This past year, we had a more difficult time finding quality teachers, even though we did almost all of our hiring by the end of May! I can only imagine what other districts, hiring in the summer, to much less attractive school districts, must have experienced.

The Legislature **must** begin a dialog of how to resolve this problem. Yes, in this case, more money will matter. For the past 15 years, we have all said it is not a matter of money. Now it is becoming exactly that! This will become a crisis in Alaska during the next 2-3 years, and will eventually require draconian solutions, at least for those of us who want to see public education survive. I have come to believe that many who are currently making these decisions do not have the best interest of public education in mind and are doing their very best to make it collapse. We may be seeing the beginning to that right now!

Please continue to do what you are doing, to solve the short-term problems. Both bills do that pretty well, with the HB 271 doing some questionable things with the quality of teacher candidates. But please also begin to talk about the real problem, salaries that are too low to attract competent people, either to prepare for the profession or to come here to teach after they have the certification. **A yearly adjustment to the per pupil expenditure in the new formula would be a good place to start.** Yes, the crisis is nearly upon us. **Help!**

Sincerely,



John Holst
Superintendent

C: Board
Representative Ben Grussendorf
Senator Robin Taylor



Alaska Association of Elementary Schools Principals
 Alaska Association of Secondary School Principals
 Alaska Association of School Administrators
 Sponsor of the Alaska Staff Development Network

326 Fourth St. Suite 404 • Juneau, Alaska 99801-1101
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 E-mail: acsa@ptlalaska.net • HOME PAGE: www.ptlalaska.net/~acsa

Alaska Council of School Administrators

Excerpt from the *ACSA Education Bulletin* January 2000 Issue

Where are the Teachers?
WE NEED A MORE POWERFUL MAGNET!
 By Darroil Hargraves,
 Executive Director, ACSA

What's the problem?

What's getting the attention?

Interesting isn't it? During the past few years, public attention has been focused on funding, construction, standards, and testing. Each of these issues is important. However, whenever superintendents get together to talk about immediate and future concerns, another issue tops the agenda—the need to recruit, hire, and keep certified and qualified teachers and administrators.

The recent announcement by the University of Alaska that a five-year program will be required for certification will further reduce the number of Alaskans to fill positions in our schools.

Alaska is not alone. In fact, teacher shortages are entering a critical stage across the nation. U.S. Secretary of Education Richard Riley consistently expresses a concern about the ability of our schools to attract the very brightest and best into education careers. As student enrollments continue to climb nationally, demand is outstripping supply at a time when the hurdles are being lifted even higher. For example, the shortage is becoming even more acute because many states are increasing their standards

for teachers and some are requiring them to have majors in the subjects they teach or to pass qualifying tests. The recent announcement by the University of Alaska that a five-year program will be required for certification will further reduce the number of Alaskans to fill positions in our schools.

Salaries have not kept pace with what talented people can make outside the classroom. A recent Quality Counts 2000, 50-state survey, conducted by *Education Week*, found that one in five college graduates who began teaching in 1993-94 left within three years. The brightest novice teachers, as measured by their college-entrance exams, were the most likely to leave, the study revealed.

There was a time, not so long ago, when Alaska was a magnet for educators.

What's at stake here? The immediate concern for many educators is having excellent teachers in the classroom—preparing students to pass exit exams that are looming in their future. Even more importantly, they are concerned about preparing students for life in the 21st century.

There was a time, not so long ago, when Alaska was a magnet for educators. Our salaries were the highest in the nation. Our recruiters could promise adventure, good hunting and fishing, and a lifestyle that attracted exceptional talent. Let's face it. What worked in the past is not getting us the number and level of certified, qualified educators we need today and will need in the future.

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As crises show signs of becoming catastrophes, some state legislatures and state departments of education have gotten the ball rolling on bringing retired teachers and administrators back into the system. Those early retirement incentives that were sold, in some case, as a way to remove the "dead wood" are now looking more like they've caused a "brain drain."

Salaries are a major problem, both for teachers and administrators. Alaska's largest districts provide an example of how noncompetitive our salaries are. These districts have budgets, enrollments, numbers of employees, physical plants, and demands comparable to large districts outside the state that are paying their superintendents nearly double. In fact, an Alaska board member recently admitted to the media that their superintendent is underpaid and speculated that if the present superintendent left and had to be replaced, it would require an additional \$50,000. Even that level of an increase would be low compared to salaries paid in comparable districts outside.

Granted, we need to pay attention to standards, facilities, and a number of other critical issues. At the same time, let's not forget that our ability to attract and keep outstanding teachers and administrators is basic to everything we hope to accomplish. Alaska needs a constant flow of quality, certifiable educators. While the problem may not be completely solved during this session of the Legislature, we simply must make sure that it receives the attention it deserves. The future of our kids depends on it.

BERING STRAIT SCHOOL DISTRICT

DISTRICT OFFICE • P.O. BOX 225 • UNALAKLEET, ALASKA 99684-0225 • (907) 624-3611 • FAX 624-3099

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24 January, 2000

The Honorable Andrew Halcro
State Capitol, Room 418
Juneau, AK 99801-1182

Re: HB 277: Retirement benefits re-employed teachers

Dear Representative Halcro,

Thank you listening to me regarding HB 277. I feel this is productive legislation and should enjoy the support of your colleagues. As stated in my comments to you, I feel certain issues, if addressed, would make this more productive for everyone. Here are a few ideas for your consideration.

- Allow retired TRS members to return to the classroom and continue to collect their retirement stipend.
- Do not make TRS contribution - contribute to Social Security.
- Let school districts decide how to pay - do not legislate.
- Retired TRS members should not earn tenure.
- Allow Districts to issue multi-year (two) contracts.
- Returning TRS members should not earn additional years in TRS.

These changes will allow the teacher pool to increase and save Districts money.

Your efforts with issues addressing education are important and should you require information or assistance, please instruct your staff to contact me as needed. I hope this session is productive for you and I look forward to meeting you again.

Sincerely,

A handwritten signature in black ink, appearing to be "John A. Davis".

Dr. John A. Davis
Superintendent

cc. J. Walsh

"OUR MISSION"

The Mission of the Bering Strait School District is to educate students to become self-sufficient productive citizens in a changing world, recognized for their social, academic, and marketable skills, by providing standards of excellence, quality programs, and a supportive environment for both traditional Native and Western styles of learning.

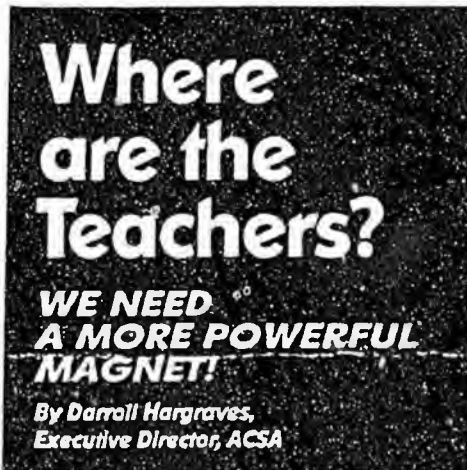


Alaska Association of Elementary Schools Principals
Alaska Association of Secondary School Principals
Alaska Association of School Administrators
Sponsor of the Alaska Staff Development Network

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Alaska Council of School Administrators

Excerpt from the *ACSA Education Bulletin* January 2000 Issue



What's the problem?

What's getting the attention?

Interesting isn't it? During the past few years, public attention has been focused on funding, construction, standards, and testing. Each of these issues is important. However, whenever superintendents get together to talk about immediate and future concerns, another issue tops the agenda—the need to recruit, hire, and keep certified and qualified teachers and administrators.

The recent announcement by the University of Alaska that a five-year program will be required for certification will further reduce the number of Alaskans to fill positions in our schools.

Alaska is not alone. In fact, teacher shortages are entering a critical stage across the nation. U.S. Secretary of Education Richard Riley consistently expresses a concern about the ability of our schools to attract the very brightest and best into education careers. As student enrollments continue to climb nationally, demand is outstripping supply at a time when the hurdles are being lifted even higher. For example, the shortage is becoming even more acute because many states are increasing their standards

for teachers and some are requiring them to have majors in the subjects they teach or to pass qualifying tests. The recent announcement by the University of Alaska that a five-year program will be required for certification will further reduce the number of Alaskans to fill positions in our schools.

Salaries have not kept pace with what talented people can make outside the classroom. A recent Quality Counts 2000, 50-state survey, conducted by *Education Week*, found that one in five college graduates who began teaching in 1993-94 left within three years. The brightest novice teachers, as measured by their college-entrance exams, were the most likely to leave, the study revealed.

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4.5 ADDRESSING TEACHER, SPECIALIST, AND ADMINISTRATION SHORTAGE

The Association of Alaska School Boards does hereby urge the Alaska State Legislature, Alaska State Board of Education, and Teacher Education Programs in Alaska's universities to address the severe shortage of teachers, specialists, and administrators in the State of Alaska.

Rationale. It has been painfully demonstrated that a severe shortage of teachers, specialists, and administrators is being experienced in the school districts in every region of Alaska. Because of the "flat" funding of school districts imposed by the Alaska State Legislature, districts have been forced to hold salary levels of teachers and administrators at an equally "flat" level, resulting in actual decreases in salary levels. Such decreasing salary levels are highly detrimental to attracting new teachers to Alaska and detrimental to recruiting people into education.

It is equally difficult under the funding structure imposed over the last 10 years to offer district incentives to attract teachers and administrators. At the same time, standards for teachers have been raised significantly, making it more difficult for prospective teacher to gain certification in Alaska. Incentives need to be provided by universities to attract new candidates and by the State Board of Education to attract new teachers to the state, both to be funded by the State Legislature. In addition, the State Legislature needs to provide funding for district incentives to attract new teachers.

Adopted 1999

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 277

Revision Date 2/9/00 Dept. Affected Administration
 Title An act relating to payment of retirement BRU Centralized Administrative Services
benefits for subsequently reemployed retired members Component Retirement and Benefits
 Sponsor Representative Halcro
 Requester (H) HESS Component No. 64

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Guy Bell Phone 465-4471
 Division Retirement and Benefits Date/Time 2/9/00
 Approved by Commissioner Robert Poe Date 2/9/00
 Agency Department of Administration

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House Bill 277

The fiscal impact of this legislation is difficult to quantify for the following reasons:

1. The Teachers' Retirement System (TRS) is funded with rates charged against the salaries of active members (certificated teachers and administrators), and earnings from fund investments. Teachers currently pay 8.65% and employers pay 12% of salary into TRS.

The State of Alaska employs only approximately 100 of the 9,300 active TRS members. The rest of the members are employed by Alaska school districts. Therefore, the fiscal impact of any legislation falls on school districts, not the State of Alaska. Since a fiscal note reflects the cost of legislation to state government, even legislation with a high cost to TRS could show minimal fiscal note impact.

2. Currently, when a retired TRS member returns to TRS covered employment, the member's retirement benefit is suspended until the member again retires. Under this legislation, the benefit would no longer be suspended, so the member would receive a TRS retirement check and a TRS employer paycheck. System demographics indicate that relatively few TRS retirees currently return to employment covered by TRS. If this were to continue, our actuaries have estimated that the legislation would only increase TRS rates by approximately 0.01 percent of payroll. If this were the case, the long-term employer contribution rate of 12 percent of payroll would be adequate to fund the System.

However, relieving the penalty for retired members to come back to work may increase the number who choose to do so. We asked our actuaries to quantify the possible impact if this occurs.

Our actuaries focused on the portion of the population for whom the legislation produces a measurable cost increase – members who earn 20 years of service before otherwise becoming eligible for retirement. We found that for these members, retiring when they first achieve 20 years of service, returning to work for two years and then re-retiring increases the liability associated with their benefits by about 10%. If half of the members elect to do this, we estimate that the annual cost increase would be approximately 0.75% of total TRS payroll. The cost increase is roughly proportional to the assumptions. For example, if **all** employees who attain 20 years before other retirement eligibility return to work for 2 years, the cost increase should be about 1.5% of payroll. Moreover, if the period of return is doubled, so is the cost.

(7)

HOUSE COMMITTEE REPORT

Date Referred to Committee: January 10, 2000

FURTHER REFERRALS:

Finance

Date of Committee Action: 2/10/00

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 277

HOUSE BILL NO. 277

RETIREMENT BENEFITS FOR REHIRED TEACHERS

"An Act relating to payment of retirement benefits for subsequently reemployed retired members of the teachers' retirement system."

recommends it be replaced with the following committee substitute [] the same title [] a new title

[] additional referral to Committee [] attached amendment(s)

ADOPTS: Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date) [x] fiscal note(s) DOA [] fiscal note(s)

[] zero fiscal note(s) [] zero fiscal note(s)

Table with 5 columns: SIGNING WITH RECOMMENDATIONS, DP, DNP, NR, AM. Contains handwritten signatures and checkmarks.

CHAIR'S SIGNATURE [Signature] 2/10/00