

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

10679

SENATE STATE AFFAIRS

24

**SB**

**267**

STATE OF ALASKA  
DEPARTMENT OF MILITARY & VETERANS AFFAIRS  
OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

P.O. BOX 5800

FT. RICHARDSON, AK 99505-5800

PH: (907) 428-6003

February 5, 2002

The Honorable Gene Therriault, Chair  
Senate State Affairs Committee  
State Capitol, Room 121  
Juneau, AK 99801

Dear Senator Therriault:

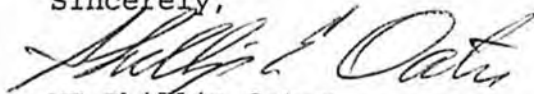
The Department of Military and Veterans Affairs respectfully requests a hearing on SB 267 "An Act establishing the Alaska veterans' memorial endowment fund and providing for credits against certain taxes for contributions to that fund; relating to other tax credits for certain contributions; and proving for an effective date."

The bill sets up a fund to provide maintenance or construction of Veterans' memorials or monuments. It also allows a credit against state taxes to businesses who contribute to the fund.

On Monday, February, 11, the Alaska Veterans' community will be in Juneau for the annual veteran fly-in. Some members will extend their visit to Tuesday, February 12th. If you decide to grant a hearing on this bill, I request you consider these days for a hearing so the veterans may attend and provide testimony for your committee.

If I can provide further information please call me, Laddie Shaw, 428-6068 or Carol Carroll, 465-4730. I look forward to working with you on this bill.

Sincerely,



MG Phillip Oates  
Commissioner

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number. 1  
Bill Version: SB 267  
( S ) Publish Date: 2/01/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DMVA  
Title Veterans Memorial Endowment BRU Veterans Services  
Component Veterans Services  
Sponsor Rules  
Requester Governor Component No. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous	125.0					
<b>TOTAL OPERATING</b>	<b>125.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	125.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>125.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

The proposed bill sets up an endowment fund to maintain and develop veterans or military memorials. It also provides an opportunity for private entities to contribute to the fund and receive a tax credit against their state taxes. The amount in the fiscal note is the initial contribution to the fund. Earnings from the fund will be available to expend, contingent on appropriations, for projects approved by the department in consultation with veteran groups.

Prepared by: Carol Carroll Phone 465-4730  
Division Administrative Services Date/Time 12/7/01 3:15 PM  
Approved by: Carol Carroll Date 12/07/2001  
Agency Department of Military and Veterans Affairs

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: SB 267  
 ( S ) Publish Date: 2/01/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Veterans Memorial Endowment BRU Revenue Operations  
and Tax Credit Component Tax Division  
 Sponsor Rules Committee  
 Requester Governor Component No. 2476

**Expenditures/Revenues (Thousands of Dollars)**

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>
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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--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

\*\* Although we do not believe there are a sufficient facts for estimating the potential revenue loss under this bill, the best source for revenue loss information is the Education Tax Credit data. The reason why Education Tax Credit data is useful is that the structure of the proposed Alaska Veterans Memorial Endowment Tax Credit mirrors the structure of the existing Education Tax Credit. Additionally, because taxpayers are limited to a maximum of \$150,000 in credit, they may choose to substitute Alaska Veterans Memorial Tax Credits for Education Tax Credits. The revenue loss would then only be any additional credits beyond those that would have been used as education credits. In FY 2001, 37 taxpayers used approximately \$2.1 million in Education Tax Credits. About 97 percent of those credits were used by 16 of the 37 taxpayers.

Prepared by: Brett Fried Phone 465-3682  
 Division Tax Division Date/Time 11/10/01 2:18 PM  
 Approved by: Larry Persily, Deputy Commissioner Date 11/10/2001  
 Agency Department of Revenue

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 3  
 Bill Version: SB 267  
 ( S ) Publish Date: 2/01/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
 Title Alaska Veterans Memorial BRU Community Assistance&Econ Dev  
Endowment Fund Component Community & Business  
 Sponsor Rules By Request Development  
 Requester Governor Component No. 2486

**Expenditures/Revenues (Thousands of Dollars)**

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	*	*	*	*	*	*

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	*	*	*	*	*	*
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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--Do not abbreviate)						
<b>TOTAL</b>	*	*	*	*	*	*

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*  
 The impact of this bill on revenues and expenditures is indeterminate due to the difficulty in anticipating the extent to which tax credits will be appropriated to the endowment funds.

Prepared by: Ginny Fay, Deputy Director Phone 907-465-5472  
 Division Community & Business Development Date/Time 10/3/01 4:21 PM  
 Approved by: Deborah B. Sedwick, Commissioner Date 10/3/2001  
 Agency Department of Community & Economic Development

**SB**

**268**

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 268  
 ( S ) Publish Date: 2/01/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: OOG  
 Title An Act relating to the issuance of BRU Elections  
revenue bonds by AHFC for veteran mortgages Component Elections  
 Sponsor Rules  
 Requester Governor Component No. 21

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)  
 This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. If this measure requires the printing an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Gail Fenumial, Election Programs Specialist Phone 465-3935  
 Division: Division of Elections Date/Time 11/20/01 3:36 PM  
 Approved by: Lieutenant Governor Fran Ulmer Date 11/20/2001  
 Agency: Office of the Lieutenant Governor

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: SB 268  
 ( S ) Publish Date: 2/01/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Authorizing a public vote on state-guaranteed BRU Alaska Housing Finance Corp  
veterans mortgage bonds Component Operations  
 Sponsor Rules Committee  
 Requester Governor Component No. 110

**Expenditures/Revenues (Thousands of Dollars)**

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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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--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation authorizes a statewide public vote on \$500 million in revenue bonds to finance the Veterans Mortgage Program (VMP). Alaska is one of five states in the nation that established this program under the federal tax code. AHFC administers the program on behalf of the state.

Costs associated with the issuance of these bonds are anticipated to be covered with annual operating budget authorizations. Anticipated costs will be related to voter information dissemination about the bonds and the program. No additional budget authorization is necessary for these activities.

If approved by voters, bond issuances in the future will be done based on loan demand.

Prepared by: John Bitney, Legislative Liaison Phone 330-8445  
 Division AHFC Date/Time 1/29/02 1:32 PM  
 Approved by: Larry Persily, Deputy Commissioner Date 01/29/2002  
 Agency Department of Revenue

**SB**

**297**

## Senate Bill 297

An Act moving employees of the Alaska mental health trust land unit of the Department of Natural Resources from the partially exempt service to the exempt service.

### SECTIONAL ANALYSIS

Prepared by Tim Lamkin, staff to Senator Gary Wilken  
For the precise impact of the bill, please refer to the actual bill text.

Section	Statute	Existing	Changes
1	AS 39.25.110 (37) Exempt Service	Paragraphs (1) to (36) list positions of state service that are exempt from the provisions of the State Personnel Act.	Adds a new exemption as paragraph (37), employees of the Alaska mental health land unit established under AS 44.37.050
2	AS 44.37.050 Duties of department with respect to management of mental health trust land	(1994) Established a separate unit within DNR with sole responsibility of managing Mental Health land.	Establishes that employees of this unit are exempt under AS 39.25.110
3	AS 39.25.120(c)(17) Partially Exempt Service	Includes employees of MHT land unit as partially exempt from the provisions of the State Personnel Act.	Repeals that employees of this unit are partially exempt.



# ALASKA MENTAL HEALTH TRUST TRUST LAND OFFICE

## *Mental Health Trust Land Disposals:*

Year 2001 Land Sale  
Years 1999 and 2000 Land Sale

Year 2001 Cook Inlet  
Oil & Gas Lease Offering

## THE TRUST

The Alaska Mental Health Trust was established by Congress in 1956. The 1956 law included a grant of one million acres of land to be used to generate revenues to meet the expenses of mental health programs in Alaska. In the mid-1980s, a citizen lawsuit was filed, claiming mismanagement of these lands. In 1994, the Alaska Superior Court and Alaska Legislature took actions which effectively settled the litigation. The settlement created the Alaska Mental Health Trust Authority, whose responsibility is to ensure the creation of a comprehensive, integrated mental health program for Alaska.

## TRUST BENEFICIARIES

Alaska Mental Health Trust beneficiaries include Alaskans with mental retardation or similar disabilities, mental illness, chronic alcoholism with psychosis, and Alzheimer's disease or related dementia.

## TRUST LAND OFFICE

The 1994 settlement reconstituted the Alaska Mental Health Trust, and the related legislation transferred nearly one million acres of land to the Alaska Mental Health Trust Authority. It also required the creation of a separate unit within the Department of Natural Resources, the Trust Land Office. This office was established to manage the lands under contract to the Alaska

*Trust Land Office Information*

Mental Health Trust Authority. Trust Land Office activities are funded from Alaska Mental Health Trust income, not the General Fund.

## **TRUST LAND OFFICE MISSION**

The mission of the TLO is twofold: (1) to protect and enhance the value of Alaska Mental Health Trust Lands; and (2) to maximize revenues from Trust Lands over time. Revenues generated from Trust Lands are used by the Alaska Mental Health Trust Authority to improve the lives and circumstances of Alaska Mental Health Trust beneficiaries.

## **TRUST LAND MANAGEMENT GUIDING PRINCIPLES**

Trust Lands are managed solely in the best interest of the Alaska Mental Health Trust and its beneficiaries, recognizing the significant relationship of Trust land management to Alaskan communities.

Trust land management is conducted in accordance with the following principles:

- loyalty to the Trust and its beneficiaries;
- maximization of long-term revenue from Trust Land;
- protection and enhancement of Trust assets;
- encouragement of a diversity of revenue-generating activities on Trust Land; and
- accountability to the Trust and its beneficiaries.

## **TRUST LAND OPPORTUNITIES**

- a wealth of natural resources including: commercial timber, hard rock minerals, coal, oil and natural gas;
- real estate opportunities uniquely situated for residential and commercial activities, including opportunities for development related to recreation and tourism;
- an enthusiastic Trust Land Office staff, dedicated to generating revenues from Mental Health Trust Land;
- a flexible, business-oriented decision making process that encourages creative and sensible projects;
- the knowledge that revenues generated from Mental Health Trust Lands go to improving the lives and circumstances of Trust beneficiaries.

## INFORMATION

Maps and answers to general Mental Health Trust Land questions can be found at the Division of Land Public Information Offices of the Department of Natural Resources.

### *Public Information Offices:*

- \* Northern Region, Fairbanks (907) 451-2705
- \* Southcentral Region, Anchorage (907) 269-8400
- \* Southeast Region, Juneau (907) 465-3400
  
- \* Trust Land Management Regulations: 11AAC 99

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### Mental Health Trust Land Disposals

<u>Year 2001 Land Sale</u> <u>Years 1999 and 2000 Land Sale</u>	<u>Year 2001 Cook Inlet</u> <u>Oil &amp; Gas Lease Offering</u>
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### *Trust Land Office:*

Robert B. Atwood Building  
550 West 7th Avenue, Suite 1430  
Anchorage, AK 99501  
Tel: (907) 269-8658  
Fax: (907) 269-8905

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Questions about the use of revenues should be directed to the Alaska Mental Health Trust Authority office at (907) 269-7960.



Home Page

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## GARY WILKEN

SENATOR  
West Fairbanks

Interim:  
1851 Fox Ave.  
Fairbanks, Alaska 99701  
Tel: (907) 451-4347  
Fax: (907) 456-8163



During Session:  
State Capitol Building  
Juneau, Alaska 99801-1182  
Tel: 451-5501 (from Fbks)  
Tel: (907) 465-3709 (outside Fbks)  
Fax: (907) 465-4714  
Website: [www.garywilken.com](http://www.garywilken.com)  
E-Mail: [Senator\\_Gary\\_Wilken@legis.state.ak.us](mailto:Senator_Gary_Wilken@legis.state.ak.us)

## Senate Bill 297

### Sponsor Statement

**“An Act moving employees of the Alaska Mental Health Trust land unit of the Department of Natural Resources from the partially exempt service to the exempt service.”**

Senate Bill 297 was introduced at the request of the Mental Health Trust Authority. It places employees of the Mental Health Trust Authority lands unit into exempt service.

The Mental Health Trust Land Unit is located in the Department of Natural Resources. Its sole purpose is to manage Alaska Mental Health Trust land on behalf of the Alaska Mental Health Trust Authority. Its operating costs are funded entirely by income generated from the cash and land assets of the Trust, not by general funds.

The Unit maintains a core operating staff of nine. This legislation will provide the MHTA with the means of retaining trained staff that are being solicited by, and relocating to, other agencies offering better compensation packages not afforded by the current “partially exempt” status of MHTA lands unit employees. Additionally, it will align the Unit with the management framework of the Trust Authority staff, which was converted to fully exempt status for similar reasons last year.

Please support this legislation and thereby allow the AMHTA to more efficiently manage their personnel structure, to reward performance, and establish a long-term fix for their efforts to recruit, train, and retain key staff.

A handwritten signature in black ink, appearing to read "Gary Wilken".

**GARY WILKEN**

SENATOR  
West Fairbanks

Interim:  
1851 Fox Ave.  
Fairbanks, Alaska 99701  
Tel: (907) 451-4347  
Fax: (907) 456-8163



During Session:  
State Capitol Building  
Juneau, Alaska 99801-1182  
Tel: 451-5501 (from Fbks)  
Tel: (907) 465-3709 (outside Fbks)  
Fax: (907) 465-4714  
Website: [www.garywilken.com](http://www.garywilken.com)  
E-mail: [Senator\\_Gary\\_Wilken@legis.state.ak.us](mailto:Senator_Gary_Wilken@legis.state.ak.us)

## MEMORANDUM

**DATE:** February 19, 2002

**TO:** Senator Gene Therriault, Chairperson  
Senate State Affairs Committee

**FROM:** Gary Wilken  
Senator, West Fairbanks

**RE:** Hearing Request for SB 297

I'm writing to respectfully request that Senate Bill 297 be scheduled for a hearing before the Senate State Affairs Committee as soon as conveniently possible.

SB 297, "An Act moving employees of the Alaska mental health trust land unit of the Department of Natural Resources from the partially exempt service to the exempt service." is submitted at the request of the Alaska Mental Health Trust Authority. It will improve AMHT's ability to attract and retain key staff in their lands management unit.

Please help the AMHT see this beneficial legislation continue onward through the Legislative process.

Thank you for your consideration.

A handwritten signature in cursive script, appearing to read "Gary Wilken".

**SB**

**306**



Honorable Gene Therriault, Chair  
Senate State Affairs Committee  
Alaska Capitol, Room 121  
Juneau, AK 99801-1182

March 18, 2002

RE: SB 306 (Davis) - SUPPORT

Dear Chair Therriault:

On behalf of the 112,000 members of AARP in Alaska, we urge you and your colleagues on the Senate State Affairs Committee to support SB 306, authored by Senator Bettye Davis of your Committee.

AARP's top legislative priority is to have Congress include prescription drug coverage under Medicare.

At the same time, we support all efforts by state legislators to make prescription drugs affordable and available. Our primary intent, in Washington D.C., as well as in Juneau, is to use all viable approaches to bring relief to those in need.

SB 306 will offer Alaska an opportunity to study, evaluate, and make recommendations on how to deal with this issue. SB 306 will establish a Prescription Drug Assistance Task Force that will enable us to learn from other states as well as to identify the most critical needs of older Alaskans.

AARP research as already told us:

- The average annual growth rate for Medicaid spending on prescription drugs in Alaska rose 23.4% from 1996-1998 compared to a 12.6% increase nationwide.
- About 1/3 of Medicare recipients have good prescription drug coverage from their former employer or from their own personal insurance; about 1/3 have some coverage but it is limited and will run out before the year's end; another 1/3 have no coverage and must pay for all prescriptions out-of-pocket.

Obviously, this is the group most at risk.

AARP recommends you and your Committee colleagues vote "AYE" when SB 306 appears before your Committee.

Should you have any questions about our position, please feel free to contact Marie Darlin (907.586.3637), Coordinator of the AARP Capitol City Task Force; Patrick Luby (907.762.3314), AARP Legislative Representative; or me (907.245.5259).

Thank you for your consideration.

Sincerely,

*Marguerite Stetson*

Marguerite Stetson  
AARP Alaska  
Executive Council Member for Advocacy  
3009 Northwood Street  
Anchorage, AK 99517-1871  
907.245.5259 voice  
907.245.5279 fax  
[ffmas@aurora.uaf.edu](mailto:ffmas@aurora.uaf.edu)

cc: Vice Chair, Senator Randy Phillips  
Senator Rick Halford  
Senator Ben Stevens  
Senator Bettye Davis  
Marie Darlin  
Pat Luby

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB 306  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title Establishment of Prescription Drug BRU Central Administrative Services  
Assistance Task Force Component Protection, Community Services  
 Sponsor Senator Davis Administration  
 Requester State Affairs Component No. 2083

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel	9.6	0.0	0.0	0.0	0.0	0.0
Contractual	10.0	0.0	0.0	0.0	0.0	0.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>19.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	19.6	0.0	0.0	0.0	0.0	0.0
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>19.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This bill establishes a task force to investigate and review various issues related to the lack of prescription drug availability to low and moderate income senior citizens and make appropriate recommendations to the Governor and Legislature. This fiscal note assumes that members from state agencies assigned to the task force will cover the cost of their participation. This fiscal note covers the transportation, lodging and per diem for the four private sector members appointed to the task force. It assumes three required meetings and per diem for subsequent teleconference meetings. Contractual costs include advertising for public notice, teleconferencing costs, postage and printing and rent.

Prepared by: Steven P. Ashman, Director Phone 907-269-3674  
 Division: Senior Services Date/Time 3/20/02 1:46 PM  
 Approved by: Jim Duncan, Commissioner Date 3/20/2002  
 Agency: Department of Administration

FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. SB 306

ANALYSIS CONTINUATION

TRAVEL

Three Anchorage Meetings	
Three Private Sector Task Force Members	
Travel/Lodging/Per Diem	\$ 9,000
Private Sector Task Force Member	
Per Diem	300
Three Telephonic Meetings	
Per Diem	<u>300</u>
Total Travel	\$ 9,600

CONTRACTUAL

Public Notice of Meetings	\$ 5,000
Teleconferencing costs	2,500
Printing and Postage	1,000
Conference Room Rental	<u>1,500</u>
Total Contractual	\$10,000

Total Budget	\$19,600
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# The Business Of Government

LEAD STORY

## Medicaid's Take on Pills

With health care expenses running out of control, several states are taming at least a piece of their fastest-growing cost.

**M**edicaid has re-emerged as a budget buster, forcing many states to work on reining in costs in the area where they are running up fastest: prescription drugs. At least 21 states went into this year's legislative sessions with an eye on prescription drug laws that target rising costs.

Several states have already started down that road. The early results suggest that there are significant savings to be had, especially by setting limits on the use of various name-brand drugs. At the same time, drug manufacturers and some physicians claim the approach takes a toll on the health of needy populations.

Maine, which cut \$15 million from its Medicaid budget—50 percent more than expected—got those savings by steering doctors toward prescribing generics and lower-cost alternatives to expensive name-brand drugs. Doctors can still prescribe the name brands but must call a state-sponsored hotline to get permission first.

This prior authorization has had a dramatic effect. In 2000, Maine spent \$8 million on prescriptions for Prilosec, the so-called "purple pill" that helps people who suffer from chronic heartburn. Last year, Maine spent only \$1.8 million on Prilosec as doctors switched Medicaid patients over to an equivalent but cheaper alternative. The alternative cost the state \$7 million, but it was able to fill close to twice as many prescriptions.

Florida, a much bigger state with a larger population of seniors, lowered its drug budget by nearly \$250 million last



year. With the cost of prescription drugs growing at a rate of 30 percent a year, Florida first tackled the problem in 2000 by limiting most Medicaid enrollees to four name-brand prescriptions a month, for a savings of \$120 million. Then, last year, the state came up with a preferred drug list—with an unusual twist. In order to get their products on the preferred list, drug makers must either offer steep discounts or pay for health programs aimed at containing other Medicaid costs. Pfizer and Bristol-Myers Squibb signed on and guaranteed Florida a combined \$49 million in savings by paying for disease prevention and management programs.

Yet PhRMA, the group that represents the major drug companies, is suing to stop the Florida program. It is also taking

Michigan to court over its preferred list, which aims to extract even deeper discounts from drug makers. According to PhRMA, limiting access to drugs not only violates federal law but is bad health policy. "Pharmaceuticals save money if they are used properly and given as primary medicine," says Jan Faiks, PhRMA's assistant general counsel.

Some doctors aren't happy with preferred lists, either. While the states have tried to make the process for authorizing non-listed drugs simple, doctors are still stuck making phone calls, typing e-mails and sending faxes to get prescriptions approved. Plus, many doctors don't like having the state tell them what is and isn't good medicine. "Not all patients do as well on the cheaper drugs," says Gordon Smith, executive vice president of the Maine Medical Association. "Most of them do, but we sacrifice a few who get injured along the way."

Kevin Concannon, Maine's health commissioner, argues that it is possible to get patients the drugs they need at a reasonable cost. The proof? Maine bought 700,000 more prescriptions in 2001 than in 2000, even as the cost dropped from \$56 per prescription to \$53. "What we're doing is reversing some of the effects of all the advertising drug makers do on cable TV," says Concannon, who has been sued for other steps Maine has taken on prescription drugs. "The more states take an active role in this, the higher the likelihood that the prescription drug manufacturers will want to sue for peace."

—Christopher Swope



# THE WAR ON DRUG PRICES

States are taking up the fight to reduce prescription drug costs.

By Garry Boulard

A new kind of drug war is being waged in legislative chambers and federal courts as citizens and lawmakers fight to lower the costs of prescription drugs.

The states are facing a Medicaid drug bill of some \$25 billion this year. With a national economy in decline and congressional action on a long-promised prescription drug benefit on hold indefinitely since Sept. 11, states are feeling a new sense of urgency about the price they pay for medicines.

Maine, Florida and Michigan have taken on the pharmaceutical industry to lower the cost of prescription drugs. It's landed them in court. And the industry has vowed to fight the states on every front. It could be a long, costly and difficult fight. More states are poised to tackle the problem of rising prescription drug costs under the Medicaid program, and a battle of economic and

*Garry Boulard, a frequent contributor to State Legislatures, is a free-lance writer in New Orleans.*



historic significance is looming.

There are those who want to put a cap on costs. There are those who argue that the profits from drugs are ploughed back into research for even better and safer drugs. There are many nuances and sides to this issue.

"This is going to be a confrontation that the pharmaceutical industry did not see coming," observes Diane Rowland, executive director of the Kaiser Commission on Medicaid and the Uninsured. "And it is fully prepared to go to court to stop any action from the states that it views as unfair."

The first shots in the battle were fired in Maine—followed shortly by similar actions in Florida and Michigan—after lawmakers passed several bills addressing rising prescription costs, the most important of which is the "Healthy Maine" program that potentially extends Medicaid discounts on prescription drugs to more than 225,000 low- and moderate-income residents.

The "Healthy Maine" program also requires drug makers to grant Medicaid-type rebates on medicines purchased by Maine residents who have incomes less than three times the federal poverty level. While observers taking note of Maine's long history of progressive politics may have seen the "Healthy Maine" legislation as simply part of that tradition, what happened next in Florida was not as easily foreseen.

Facing spiraling drug costs that helped create a \$650 million shortfall in the state's \$9.7 billion Medicaid budget, lawmakers passed legislation creating a list of some 1,300 prescription drugs that will get preferential treatment from the state.

The list determines which drugs are included in the more than \$1.6 billion pharmaceutical purchases Florida makes every year for its poor and disabled.

"We did it from the standpoint of being fiscally responsible," says Burt Saunders, chairman of the Senate Committee on Health, Aging and Long-term Care in Florida. "Our Medicaid budget was mushrooming and the pharmacy component of it was the largest part. It suddenly occurred to us that the pharmacy budget through Medicaid had the capacity to literally eat our overall Medicaid budget, so we thought we should do something about it," he says.

Officials say the new law could save up to \$214 million a year, which is nearly 15 percent of what the state spends on Medicaid drugs.

Michigan, too, has entered the fray, developing in early December a list of lower-priced drugs that will receive preferential treatment through the state's department of community health, which administers Michigan's Medicaid program.

In response to such state actions, the pharmaceutical industry, as represented by the Pharmaceutical Research and Manufacturers Association of America—otherwise known as PhRMA—filed a series of petitions in federal court seeking to overturn state actions they claim are overreaching and could prove detrimental in the long run to the health of Medicaid patients.

PhRMA also contends that the Maine, Florida and Michigan legislation intrudes upon the relationship between physician and patient by making it either impossible or very difficult for doctors to prescribe certain drugs for patients if those drugs are expensive or not on one of the state's preferred lists.

PhRMA argues that the Maine legislation violates federal Medicaid law, which requires that federal and state governments pay for Medicaid benefits, noting that under the "Healthy Maine" program the discounts are funded entirely by the drug makers.

In response to Florida, PhRMA says the state is in violation of federal Medicaid law, partly because its list excludes drugs based only on the manufacturer's refusal to pay supplemental rebates and not because there is anything medically lacking in the drugs.

And the Michigan program, adds PhRMA, violates the separation-of-power provisions of the state's constitution because the provision did not go through the legislature, and lawmakers "were not given the opportunity to veto the policy before it took effect."

"Essentially we're fighting our battles on a series of fronts simultaneously," says Bruce Lott, director of state media for PhRMA. "Our goal is to not only defeat the actions that have taken place in Florida, Maine and Michigan, but also to discourage other states from following their lead."

Ironically the battle between the states and the nation's pharmaceutical industry began on a simple note when Maine applied for a waiver in federal Medicaid rules.

"Medicaid is a state and federal health program, but the federal government sets the rules," notes Kevin Concannon, Maine's commissioner of the Department of Human Services. "We said we would like to be able to enroll people in the Medicaid program just for the prescription drug benefits that Medicaid provides." The waiver, Maine stipulated, would apply only to those in the state who do not currently have prescription drug coverage and whose incomes are at 300 percent of the federal poverty levels or below.

Early last year, the feds approved Maine's waiver, and the state began its new "Healthy Maine" program in June. By early January, more than 108,000 people had enrolled (about 41,000 of whom have relied on a state subsidy not tied to

## "READ TWO DRUG ADS AND CALL ME IN THE MORNING"

With pressure to try and curb the increased costs of prescription medicine, lawmakers are taking a closer look at the implications of pricey advertisements for state-funded programs.

At an estimated annual cost of \$2.5 billion, pharmaceutical advertising on television and in the popular press has indeed made drug companies and their brand products household names.

A new analysis provided by the managed care industry reports that from 1999 to 2000, prescriptions written for the top 50 most heavily advertised drugs rose 24.6 percent, compared with 4.3 percent for all other drugs combined. Drug manufacturing is a \$122 billion industry, so a small increase in market share can reflect a multimillion dollar boost for any particular company.

Legislative lawyers point out that it is nearly impossible for individual states to control national advertisements, now regulated by the Food and Drug Administration. But this has not prevented some states from seeking solutions.

Twelve states considered bills regarding direct-to-consumer advertising in 2001, and at least one—West Virginia—enacted a law that gives the director of the West Virginia Public Employees Insurance Agency, Tom Susman, discretion to use "innovative strategies" such as requiring prescription drug manufacturers to show how much they're spending on advertising and what that adds to drug costs.

However, Susman believes that West Virginia will probably train a team of pharmacists to meet with and educate doctors about the fiscal effect of prescribing higher priced and advertised drugs. "The pharmaceutical industry [representatives] don't talk about costs," Susman said. "We go in and educate [doctors] about less expensive and therapeutic equivalent drugs, and then they can make decisions to use less costly generics." Susman added that physicians who participate in Medicaid have an incentive to prescribe less costly drugs, "With only so much money to go around and using less expensive drugs, we have more money to put into paying the West Virginia physicians."

Several states—such as Florida, Michigan, Oregon and Vermont—are creating drug lists for Medicaid patients that emphasize cheaper generic products over the popular advertised pharmaceuticals.

For information: [www.ncsl.org/programs/health/rxads.htm](http://www.ncsl.org/programs/health/rxads.htm)

—Karmen Hanson, NCSL

Medicaid).

"I have never seen a program at that rate of uptake," says Concanon, who previously served as the director of Oregon's health and human services department.

### DRUG PRICES GREATEST INCREASE

Overall spending on health care increased to more than \$1.3 trillion in 2000, according to a January report from the federal Health and Human Services Department.

The biggest increase by far came from prescription drug costs. According to the Centers for Medicare and Medicaid Services, prescription drugs in 1999, the last year for which statistics are available, accounted for 9.4 percent of personal health care spending.

But it was the increase in that spending that was most alarming: 16 percent over the year before. The Centers also predict that spending on prescription drugs will increase by an average of at least 12 percent every year for the next decade.

PhRMA's Lott disputes that the rise in prices for prescription drugs is dramatic—"not for every drug, at least," he says, or that the profits enjoyed by the pharmaceutical industry are in anyway extraordinary. "I think this is something that has been rather overstated," he says, "particularly when you take into consideration the fact that research, which is ongoing, costs so much."

But some groups, such as Families USA, a nonprofit consumer advocacy organization based in Washington, D.C., charge that most of the expenses borne by the pharmaceutical industry are because of advertising, not research.

Studying the net profits and expenses of the nation's nine largest pharmaceuticals, Families USA issued a report last summer claiming drug companies are spending "more than twice as much on marketing, advertising and administration as they do on research and development."

However the pharmaceutical industry chooses to spend its money, contends John Leuhrs, national coordinator of health affairs and long-term care with the American Association of Retired Persons (AARP) in Washington, the fact that its products continue to cost more is "a national disaster just waiting to happen."

"And to our relief, it seems to be the states who are trying to do something about it, trying to, at least, get more tools in their hands that they can use to control prescription drug prices."

Altogether some 30 states have enacted legislation that includes subsidy programs, bulk purchasing, expanded rebates from manufacturers, as well as discount formulas for both seniors and children.

And pharmaceutical industry officials are girding for more sweeping legislation similar to Maine's and Florida's in up to a dozen other states this year.

"I think the reason that you are seeing more activity of this sort coming out of the various states—instead of Washington where most battles of this sort are usually fought out—is a simple one," says Concanon in Maine. "The pharmaceutical industry does not have as much influence in the state capitals as they do in Washington."

But it is not for lack of trying.

Lott of PhRMA says his group is not concerned with protecting the industry's profits as much as it is with the question of accessibility.

What troubles them, he says, is that the Florida, Michigan and Maine plans "in the long run, limit access for Medicaid patients. We very much think this is a serious mistake, a bad thing."

Lott contends that state efforts to categorize favored drugs with a formulary "just interfere with the doctor-patient relationship and the ability of the doctor to prescribe the medicines he thinks are most important without going through a lot of bureaucratic red tape."

### TAKING THE STATES TO COURT

And while PhRMA's foes in the states may find reason to argue with Lott's position, few can deny the persistence of the group as a litigant. So far, it has filed legal challenges against the prescription drug price control measures in Maine, Florida and Michigan.

PhRMA has asked the 1st Circuit Court of Appeals in Washington, D.C., to review an earlier three-judge panel decision approving Maine's prescription drug price control law. The group also filed suit

## MULTI-STATE EFFORTS SEEK BETTER RX PRICES

"If we buy 10 million instead of one million, can we get a much better price?" This age-old practical business question is at the core of several growing movements by states to obtain the best deals for costly pharmaceuticals.

While lawsuits challenging price control and prior authorization strategies are grabbing headlines in several locales, efforts to use bulk-purchasing and multistate purchasing coalitions have spread rapidly, but more quietly, in the past 12 months. Traditionally in most states, each agency or department paid separately for medical services, including prescription drugs. Each state runs independent Medicaid programs, and the current 26 states with senior subsidy programs have had no connection across state lines.

But that is changing. Rather than go it alone, a growing number of states have begun banding together in the hope of strengthening their bargaining clout. Participating states expect to not only save on drug prices, but also on billing and utilization review costs and other administrative expenses. Three formal regional groups and one exploratory association have formed as of January.

- ◆ The earliest legislator meetings in Montpelier and Boston evolved into the Northeast Legislative Association on Prescription Drug Prices (Connecticut, Maine, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island and Vermont). Members last July endorsed the concept of a joint purchasing coalition with a joint contract for pharmacy benefit management.

"At first I said we will need legislation from all eight states to act," says Cheryl Rivers, who resigned from the Vermont Senate to serve as the association's executive director. "Now, I'm not convinced that's necessary if we work together and in cooperation with the executive branch." Meanwhile, their meetings serve as a clearinghouse for reports on new pharmaceutical legislation and programs. Legislators from additional states are welcomed regularly.

- ◆ A separate initiative, the Northern New England Tri-State Coalition, united Medicaid and agency leaders in Maine, New Hampshire and Vermont. They have agreed on a single pharmacy benefits manager, First Health Services Corp of Virginia, and intend to launch some services early in 2002.

- ◆ The Pharmacy Working Group began in the Southeast last March.

The initial meeting in Georgia included 15 states. By November seven states (Louisiana, Maryland, Mississippi, Missouri, New Mexico, South Carolina and West Virginia) were seeking a multistate bid to serve an estimated 1.4 million public employees and their families. The seven states pay out an estimated \$853 million for employee pharmaceutical claims. In developing specifications for the multistate bid, the group concentrated on how to increase rebates from drug companies and how to reduce the traditionally hefty fees charged by benefit management companies.

- ◆ Western officials representing Idaho, Montana, Nevada, Oregon, Utah, Washington and Wyoming have had discussions. Both chambers in Idaho and the Washington Senate passed resolutions in 2001 favoring joint pharmaceutical purchasing. Senator Charles Scott of Wyoming said there also is "considerable interest" in a strategy being developed in Oregon and British Columbia, which calls for reference drug pricing (the least costly of equally effective drugs becomes a state's payment standard).

- ◆ A few states intend to save by combining buys within their borders. A 2001 Texas law creates the Interagency Council on Pharmaceuticals Bulk Purchasing, including the departments of health and mental health, state employees, retirees, teachers, the prison system, and "any other agency that purchases pharmaceuticals." For the first time, the law also requires manufacturer and wholesaler price reporting. John Keel, the Legislature's budget board director, estimated two-year savings of \$13,200,000. Georgia just started a similar plan for combining in-state purchasing. Massachusetts legislators hope to implement a 1999 law that would include agencies plus the Medicare population and anyone uninsured or underinsured.

- ◆ A national survey of legislative health leaders, conducted by NCSL's Health Policy Tracking Service, showed 32 states predicted that purchasing pools for prescriptions are likely to be considered in 2002.

Senator Peter Shumlin, chair of the Northeast Association, noted his group seeks a free-market approach with bipartisan support. "We are simply coming together to get a fair price. We don't want our citizens to have to use their passports to get access to a fair price for prescription drugs."

—Richard Cauchi, NCSL

in response to Florida's effort, arguing that the law "limits Medicaid patients' access to drugs that are not on the formulary by requiring doctors to obtain special permission from the state each time they want to prescribe those drugs for a Medicaid patient."

But in early January, U.S. District Judge William Stafford in Tallahassee rejected PhRMA's petition, prompting the organization to prepare arguments for an appeal to the 11th Circuit Court of Appeals.

At the same time, an Ingham County Circuit judge in Michigan blocked that state's efforts to curb drug prices, arguing, among other points, that because the plan never got the approval of the full Legislature, the state administration had overstepped its authority.

But that tentative PhRMA victory was overturned on Jan. 17, when the Michigan Court of Appeals reversed County Circuit Judge Lawrence Glazer's earlier ruling, allowing the Michigan program to become effective on Feb. 1. Despite PhRMA's energetic opposition, those who favor doing something about the rising costs of prescrip-

tion drugs under Medicaid think it is not realistic to expect the pharmaceutical industry to fight multiple battles if more states do indeed follow the example of Florida, Maine and Michigan. And even Ott admits that his organization can only do so much. "We've never before been involved with this many lawsuits all at once."

But even if the industry—as expected—continues its many-faceted opposition, proponents say that should not deter states from trying to lower costs anyway.

"No one said it is going to be an easy thing to do," says Michael Saxl, speaker of the Maine House and prominent supporter of the Healthy Maine program. "You have to be willing to try a lot of different things. You have to be willing to take risks and believe in what you are doing."

Jon B. Rawlson, vice president for government affairs with PharMerica in Tampa, which provides pharmacy services to nursing home patients, is similarly optimistic. "I really do think that this is some-

## CALIFORNIA PLAN ENCOURAGES RESEARCH FOR AIDS/HIV VACCINE

California Senator John Vasconcellos is a man on a mission. His goal: Create a powerful financial incentive that will encourage corporate investment in a vaccine that protects against AIDS and the human immunodeficiency virus (HIV), the agent that causes the disease.

Last year, Vasconcellos—who's serving his second term in the Senate after 30 years in the Assembly—shepherded through a bill that requires all health maintenance organizations doing business in the state, including CalPERS, a public employee health plan with 1.1 million members, to purchase an AIDS vaccine as soon as it is available and fully approved by the federal Food and Drug Administration. The law, which took effect Jan. 1, is intended to guarantee buyers for a vaccine in California, which is the largest single state health insurance market, and spur venture capital firms to invest more intensely in the development effort.

Many people in the field of AIDS medicine and research feel the financial incentives for drug manufacturers today are weighted "much more toward palliative than preventive interventions," said Vasconcellos, a Democrat from San Jose. With more than 50 million people already infected with HIV or dead of AIDS worldwide and millions more lives at stake, "we are looking to inject more balance" into the R&D equation, he explained.

The inspiration for the legislation, Vasconcellos said, was an old friend, Marcus Conant, a physician who in 1981 documented the first cases of Kaposi's sarcoma—a rare skin cancer that manifests in HIV infection. Conant later helped develop San Francisco General Hospital's AIDS Program and what's now known as the San Francisco AIDS Foundation. His Conant Foundation, an education and treatment organization founded in 1990, has also led to establishment of the International AIDS Vaccine Initiative; with a gift of \$25 million from the Bill and Melinda Gates Foundation, the initiative is pressing for development of an effective vaccine.

The two men met in the early 1980s, when the AIDS epidemic was emerging. Then Speaker (now San Francisco Mayor) Willie Brown had asked Vasconcellos to begin devising legislation to address a problem taking its immediate toll on the state's sizeable gay male community. Because of his experience in treating the disease the doctor was a logical source to mine. Conant is a key character in *And the Band Played On*, Randy Shilts' influential 1987 book on early government and medical responses to AIDS. In the course of their talks, Vasconcellos and Conant discovered they share a birthday and since have met for dinner twice a year to catch up on the issues and swap ideas.

One of the first concrete proposals to come out of their talks was a Vasconcellos-sponsored law, enacted in 1986. It provided financial incentives for AIDS-related research and modified liability laws in order, as he put it, "to give developers some leeway" in their work by offering them greater protection from litigation.

But the years have passed, and "there's still nothing to stop this disease, nothing to slow it down," Conant said in an interview. Globally, according to the Joint United Nations Programme on HIV/AIDS, an estimated 21.8 million people have died of AIDS since the epidemic began. Today, 36.1 million people are living

with HIV/AIDS. In the United States, the cumulative number of deaths due to AIDS stands at just over 448,000. In early January, the Centers for Disease Control and Prevention reported some troubling news: New AIDS cases in the United States rose by 8 percent last year from 38,864 in 2000 to 42,008 "after seven years of steady decline."

While some drug companies are taking the search for a vaccine seriously, "the issue is what kind of an investment is really necessary," Conant said. As a physician who has seen the toll of AIDS firsthand, he believes "we need an all-out push to develop a vaccine." All the new law does, he continued, is to assure potential developers that if they succeed "the money to pay for it will be there."

Bruce Lott, director of state media relations with Pharmaceutical Research and Manufacturers of America (PhRMA), rejected the implicit premise: Companies are devoting more time and money to treatment because they can make much greater profits on drugs that people must take day in, day out, over their lifetimes than on one that prevents the disease in the first place. R&D teams are investing in the search for "preventatives, treatments and cures and will continue to do so," he said.

A PhRMA survey of new medicines in development in 2001 found a total of 14 HIV/AIDS vaccines in the pipeline. Developers include the National Cancer Institute and 10 private sector firms, from giants like GlaxoSmithKline and Merck to lesser knowns like GEL-SCI and Therion Biologics. Still, Lott said, the outcome that Vasconcellos seeks—assuring that patients have access to a vaccine by making coverage of it mandatory—is "very positive."

In addition to Conant's contribution, Vasconcellos credits his Republican colleague, Senator Jim Battin, with building bipartisan support for the bill. (It passed by votes of 30-6 in the Senate and 56-17 in the Assembly.) When first introduced, the legislation applied only to CalPERS. Battin recognized that it could save the state upwards of \$20 million a year in the cost of drugs for AIDS patients and amended it to apply to commercial plans, as well. By Vasconcellos' calculations, the state will pay less than \$1,000 per dose for the vaccine. By way of contrast, the Office of AIDS in the state Department of Health Services puts the cost of one patient's supply of drugs at \$10,000 to \$20,000 a year. And the way the law is constructed, he said, "you don't spend any money until you've got the savings in the bank."

Now, the senator is launching a campaign designed to get the other 49 states to follow California's lead. In a letter mailed in January to the leadership of both parties as well as the chairs and vice chairs of health committees in both chambers, Vasconcellos and Battin invited their counterparts to join in an effort to develop "a coordinated, guaranteed market truly conducive to stimulating the investment of needed dollars for research and development of a vaccine." As Vasconcellos put it: "We want to build a national movement" that may eventually stop AIDS in its tracks.

—Linda Demkovich, NCSL

For more information on the California law or Vasconcellos' national campaign, go to <http://www.senate.ca.gov> or call Oanh Ho at (916) 445-9740.

## FLORIDA AND PFIZER FORGE A DEAL

Pfizer's products remain on Florida's list of preferred drugs because of a deal cut last spring by the world's largest drug company's chairman and CEO Henry McKinnell and Governor Jeb Bush.

Lengthy discussions took place as state lawmakers were deciding which drugs should be on Florida's preferred list. The deal that McKinnell and Governor Bush finally agreed upon was both simple and revolutionary: In exchange for being allowed to keep all of its drugs on the list, Pfizer agreed to take over the day-to-day supervision of up to 12,000 chronically ill patients currently in the state's Medicaid program.

Through what the company calls "technology-based disease management," some 60 specially trained nurses will work with Medicaid patients and help them develop better diets and exercise programs while also promoting a drug education program designed to eliminate medications that are duplicative or cancel each other out.

Pfizer promised Florida that it could save the state up to \$33 million in health care costs, much of it through fewer emergency room visits.

"A key public health priority must be to deliver modern medicines to those most in need in a cost-effective manner," McKinnell announced after the agreement with Bush was inked last summer, adding that the Pfizer/Florida approach exemplifies a "creative and innovative private/public partnership program."

Princeton University health care economist Uwe Reinhardt called it "as innovative as anything I've seen a drug company do." He added that Pfizer's promise to reduce costs for Florida through disease management "puts its reputation on the line" by making the company accountable for the results.

By remaining on the preferred list, the company stands to reap tens

of millions in profits—certainly more, even Florida state officials admit—than the \$33 million Pfizer promises it will save Florida over the next two years.

Governor Bush has said he is willing to work with any drug company that can present an innovative proposal. So far, Bristol-Myers Squibb has stepped up to the plate, agreeing in September to provide disease management for acutely ill Hispanic and African American patients in five Florida counties, including Miami-Dade.

As with Pfizer, Florida will keep all of Bristol-Myers' 54 drugs on the state's preferred list. Bristol-Myers, meanwhile, promised to save the state \$1.6 million in Medicaid costs by the summer of 2003.

Although health care officials say the savings from disease management remains untested, both Pfizer and Bristol-Myers have agreed that if their programs fail to achieve the savings promised, they will pay cash to Florida to make up the difference.

Pfizer recently crafted another plan that has generated goodwill for the company. In January the company said it would offer drugs to low-income elderly people for a flat fee of \$15 a month for each prescription, a fraction of the average retail price of \$65. This will help some 7 million people nationwide with gross incomes under \$18,000 a year and couples with incomes below \$24,000. The company says the measure is intended as a stopgap until Congress adopts broader Medicare reform. Medicare does not cover the cost of prescription drugs outside hospitals.

GlaxoSmithKline and Novartis AG also have discount programs for low-income elderly people.

—Garry Boulard

thing the states can tackle," says Rawlson, who has been tracking both enacted as well as proposed legislation. "But they have to do it in a way that is inclusive, bringing in the pharmaceutical industry to work out a solution, rather than approaching it as some sort of a battle or confrontation."

He says that PharMerica was brought into the Florida debate early by providing the state with data on not only which drugs the nursing home patients most commonly use, but also the drugs that clinical pharmacists—who, he says, "are always looking for the most therapeutic equivalent drug that is also lower-priced"—recommend.

"The Florida approach was one of trying to get as much information first as possible," continues Rawlson. "The fact that they also allow for a physician to override the preferred list if he or she feels a higher-priced drug is necessary, really impressed us."

Connecticut Senator Catherine Cook, whose eastern district is populated by a number of pharmaceutical companies including Pfizer, also worries that an "anti-pharmaceutical industry" atmosphere may be developing at the state level, making it difficult for the drug companies to get a fair hearing.

"Are drugs taking a bigger percentage of our health dollar now than twenty years ago?" asks Cook. "The answer is yes. But that's the good news, a sign of how many new drugs have been developed to help us live with the chronic diseases that used to kill us."

She predicts that if the states do not include the concerns of the drug companies in their approaches to lowering drug prices, "they

may very well fail."

"It's illegal for any state to do a formulary under Medicaid. Washington has made that clear," says Cook. "But I don't have a problem with a preferred list, as long as doctors can override anything on that list."

"That is what Florida has done," she continues, "and I think if the other states follow that, they'll be in good shape." Cook similarly warns that not in every case are the lower cost generic drugs preferable to the higher cost name brands.

"It could come down to a brand name drug produced by the latest technology that has fewer side effects and better targets the medical problem in question versus a generic drug that was developed 17 years ago and doesn't," she remarks.

With so many nuanced concerns in the debate over Medicaid prescription drugs and how to cope with their rising prices, legislators may wonder why they should want to even tackle the issue in the first place.

Maine Speaker Saxl warns that any even-handed approach is necessarily going to be difficult. "It is an enormously complex issue, the kind of issue that, when you first begin to look into it, is extremely overwhelming."

But, Saxl adds, such challenges should not deter lawmakers from trying. "By the end of the day, we need to make certain that people get the access to health care that they need. And that can only come with affordable prescription drugs."



Honorable Gene Therriault, Chair  
Senate State Affairs Committee  
Alaska Capitol, Room 121  
Juneau, AK 99801-1182

March 18, 2002

RE: SB 306 (Davis) - SUPPORT

Dear Chair Therriault:

On behalf of the 112,000 members of AARP in Alaska, we urge you and your colleagues on the Senate State Affairs Committee to support SB 306, authored by Senator Bettye Davis of your Committee.

AARP's top legislative priority is to have Congress include prescription drug coverage under Medicare.

At the same time, we support all efforts by state legislators to make prescription drugs affordable and available. Our primary intent, in Washington D.C., as well as in Juneau, is to use all viable approaches to bring relief to those in need.

SB 306 will offer Alaska an opportunity to study, evaluate, and make recommendations on how to deal with this issue. SB 306 will establish a Prescription Drug Assistance Task Force that will enable us to learn from other states as well as to identify the most critical needs of older Alaskans.

AARP research as already told us:

- The average annual growth rate for Medicaid spending on prescription drugs in Alaska rose 23.4% from 1996-1998 compared to a 12.6% increase nationwide.
- About 1/3 of Medicare recipients have good prescription drug coverage from their former employer or from their own personal insurance; about 1/3 have some coverage but it is limited and will run out before the year's end; another 1/3 have no coverage and must pay for all prescriptions out-of-pocket.

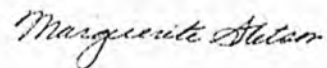
Obviously, this is the group most at risk.

AARP recommends you and your Committee colleagues vote "AYE" when SB 306 appears before your Committee.

Should you have any questions about our position, please feel free to contact Marie Darlin (907.586.3637), Coordinator of the AARP Capitol City Task Force; Patrick Luby (907.762.3314), AARP Legislative Representative; or me (907.245.5259).

Thank you for your consideration.

Sincerely,



Marguerite Stetson  
AARP Alaska  
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cc: Vice Chair, Senator Randy Phillips  
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Senator Ben Stevens  
Senator Bettye Davis  
Marie Darlin  
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March 18, 2002

Alaska Senate Committee on Health, Education and Human Services  
Alaska Senate Committee on Finance  
State Capital  
Juneau, AK 99801-1182

Dear Committee Members:

I am writing to strongly urge you to create a Taskforce to address the need to lower the cost of prescription drugs for all Alaskans without prescription drug insurance. The Center for Policy Alternatives has worked with more than twenty states to help develop model legislation that addresses this critical problem and we hope Alaska will join other states - including New Mexico, West Virginia, and Minnesota - that have taken action in 2002 to address this health crisis.

One in four Americans—70 million—do not have insurance covering prescription drugs. Medicare does not cover outpatient prescriptions, and older Americans desperately need these medicines. Because they have more medical concerns, seniors—representing only 12 percent of the population—consume one-third of all prescription drugs. More than 10 million children are also among the uninsured.

Drug manufacturers sell the exact same pharmaceuticals to different purchasers at widely varying prices. On average, uninsured Americans pay about twice as much as the federal government pays for the same drugs. Uninsured families are charged far more for prescriptions than their insured neighbors, even in the same pharmacy. Similarly, state Medicaid programs pay a price, fixed by federal law, which is 20 to 40 percent higher than the federal government pays. Drug manufacturers still make a healthy profit on the lowest prices they charge the federal government.

Unconscionably high prices for Cipro illustrate the unfairness of the current drug pricing system. A single 500 mg tablet of the antibiotic Cipro, used to fight anthrax and other dangerous bacteria, costs an uninsured American almost \$5 per pill—\$300 for a bottle of 60 pills. But under the federal government's "340B" program, public health facilities buy the same drug for about 43¢ per pill—only \$25.80 for a bottle of 60. The manufacturer, Bayer, makes a good profit because each pill only costs 10-20¢ to manufacture.

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Through free market negotiations, states can substantially lower drug prices for both the uninsured and for the state Medicaid program. In 2000, Maine enacted legislation that directs the state to use its bulk purchasing power to negotiate steep drug discounts for the uninsured. In 2001, Florida joined California as the only states to negotiate supplemental drug rebates for their Medicaid programs, saving both states hundreds of millions of dollars per year.

The Fair Market Drug Pricing Act (available on [www.stateaction.org](http://www.stateaction.org)) combines the California-Florida approach with the Maine model. The Act:

- Directs the state Secretary of Health (or similar cabinet Secretary) to negotiate voluntary drug discounts or rebates from prescription drug manufacturers and labelers.
- Gives the Secretary the leverage to negotiate with drug companies much the same way HMOs and health insurance companies negotiate—allowing the Secretary to place on the state Medicaid “prior authorization” list the products of any drug company that refuses to offer a substantial discount that is at least as favorable as the “340B” price.
- Directs the Secretary to set up and administer an Rx Card program, passing negotiated discounts to the people who need them—uninsured seniors on Medicare and residents under 300 percent of the poverty level.
- Empowers the Secretary to combine drug pricing negotiations for Medicaid, the Rx Card program, and any other state health programs, to maximize the Secretary’s market clout.

The Fair Market Drug Pricing Act is based on a market approach to pharmaceutical prices—states engage in voluntary negotiations with drug companies. If the companies don’t want to participate, they don’t have to negotiate. This model doesn’t cost taxpayers a dime. On the contrary, it will save the state tens or hundreds of millions of dollars per year, depending on the size of the state’s Medicaid budget. Although the drug industry objects to these types of proposals, the Fair Market Drug Pricing Act is constitutional and complies with federal law. Both the Maine and Florida laws have survived the industry’s legal challenges. In fact, the model Act is specifically designed to avoid the legal objections raised by the drug industry to date.

The Center for Policy Alternatives congratulates Senator Bettye Davis and the State of Alaska for addressing this important issue.

Sincerely yours,

Bernie Horn  
Policy Director

# Alaska State Legislature

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## Senator Bettye Davis

Senate Bill SB 306

" An Act establishing the Prescription Drug Assistance Task Force; and providing for an effective date."

### Sponsor Statement

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***The NCSL reports spending on outpatient drugs rose 18.8% from 1999 to 2000. In the last decade the average number of prescription per seniors per year has expanded from 19.6 to 28.6. Since 1992 the average cost of prescription drugs for seniors has gone up more than 48%.***

***In response to this trend, at least 40 states have considered enacting pharmaceutical assistance legislation, 31 states have actually instituted some form of program and 44 states are currently considering drug subsidy legislation.***

***According to the AARP, the annual growth rate for Medicaid spending on medications rose 23.4% in Alaska from 1996 to 1998 and a third of Alaska's seniors have no prescription drug coverage and must pay drug costs out-of-pocket.***

***SB 306 creates a Task Force to study prescription drug assistance programs currently in existence or under consideration around the country on both the state and national level. It will also review current and new Medicaid prescription drug initiatives for using drug rebates, discounts or pooling of discounts with other states with the intent of crafting a plan to help Senior Alaskan's meet the increasing burden of rising pharmaceutical costs.***

***The taskforce will be composed of seven members drawn from both the public and private sectors including a member recommended directly by senior organizations. The taskforce will report its findings and submit recommendations to the 23<sup>rd</sup> Legislature at the beginning of next session.***

***The report and recommendations will serve as a guide for crafting a comprehensive Senior Citizen Prescription Drug Assistance program that is both cost effective and meets the needs of Alaska's seniors.***

## State Pharmaceutical Assistance Programs, December 17, 2001

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Arizona	Prescription Medication Coverage Pilot Program 2001  (two-year pilot)	To be determined	Tobacco Tax Medically Needy Account	Minimum Age: 65 Income: Between 100% and 200% of the FPL  Must be a resident of Arizona county that does not have a Medicare HMO or Medicare HMO that does not provide Rx coverage	To be determined	100% and 149%: Deductible of at least \$500 out of pocket for Rx to be eligible  150% and 200%: Deductible of at least \$1,000 out of pocket for Rx  The state can lower the deductible required for eligibility up to \$300 in the second fiscal year, if less than 75% of the appropriation from the previous year has not been spent.  Annual enrollment yet to be determined	SFY01-02: \$3.9 million  SFY02-03: \$4.1 million  An additional \$400,000 annually for administration
California	Drug Discount Program for Medicare Beneficiaries February 1, 2000	1.3 million eligible	Beneficiaries pay for prescription drugs; State General Revenue covers fees for processing pharmacy price inquiries.	Medicare recipients, 65 or disabled without insurance coverage for prescription drugs; no income limit.	All prescription drugs are covered except compounded drugs.	Retail pharmacies charge beneficiaries an amount not to exceed the Medicare reimbursement rate. No deductible or co-pay. Beneficiary pays discounted drug price plus 15 cents to cover pharmacy transaction fee.	\$1.7 million; N/A

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Connecticut	Connecticut Pharmaceutical Assistance Contract to the Elderly and the Disabled Program (ConnPACE) 1986	33,850	State General Revenue	Minimum age: 65 Disabled: over age 18 receiving SSI or SSDP Single: \$15,100 Married: \$18,100	All prescription drugs including insulin, syringes. No anti-histamines, contraceptives, experimental, weight loss, cosmetic or smoking cessation products	No deductible Co-pay is \$12 per prescription Annual enrollment fee is \$25	Total state expenditures of \$38 million (reduced by participant fees collected & manufacturer rebates received). Rebates of \$11 million deposited into the general fund as revenue. \$1,123 average cost per recipient.
Delaware (I)	Delaware Prescription Drug Assistance Program (DPAP) 2000	1,200	State General Revenue Tobacco Settlement	Minimum age: 65 Disabled: eligible for SSDI Single: \$16,700 Married: \$22,500	Covers most drugs that are manufactured by companies that agree to pay the State a rebate for the right to participate in the program	No deductible Co-pay is \$5 or 25% of the cost of each prescription, whichever is greater	Budget is \$5 million in drug costs and not more than \$600,000/yr in administrative costs; program will pay up to \$2,500 per person, per state fiscal year
Delaware (II)	Nemours Health Clinic Pharmaceutical Assistance Program 1981	10,000	Nemours Foundation	Minimum age: 65 Single: \$12,500 Married: \$17,125	All prescription drugs and insulin syringes	No deductible Co-pay is 20% of retail prescription cost + \$5 dispensing fee; maximum yearly benefit is \$500 at Nemours discounted price	\$5.4 million; \$411.78

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Florida	Prescription Affordability Act for Seniors 2000	N/A	General Revenue Fund	<ul style="list-style-type: none"> <li>-Florida residents 65+</li> <li>-Income between 90-120% of poverty level</li> <li>-Eligible for both Medicare and Medicaid</li> <li>-Not enrolled in a Medicare HMO</li> <li>-Request to be enrolled</li> </ul>	Monthly benefits limited to \$80 per participant, including a discount for any Medicare beneficiary who is a Florida resident when purchasing a prescription drug at a Medicaid participating pharmacy	Participants are required to make a 10% co-insurance payment for each prescription purchased through this program	\$30 million per year worth of benefits, \$250,000 to administer it

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Illinois	Pharmaceutical Assistance Program (PAP) 1985	49,186	General Revenue and Tobacco Settlement Funds	<p>Minimum age: 65 Disabled: eligible Single: \$16,000 Married: \$16,000</p> <p>As of 1/01: Single: \$21,218 Two Person Household: \$28,480 Three or More Person Household: \$35,740</p>	<p>Coverage limited to: (1) drugs for the treatment of heart disease, diabetes, and arthritis; and (2) insulin, syringes, and needles</p> <p>As of 1/01, drug coverage will be expanded to: Alzheimer's disease, Parkinson's disease, lung disease, smoking related illness and glaucoma.</p> <p>As of 7/1/01, drug coverage will be expanded to osteoporosis.</p>	<p>For the year 2000, the deductible is \$15 per month for individuals if income less than 100% of FPL; \$25 for individuals if income is over 100% FPL.</p> <p>As of 1/01, there is no deductible. However, for individuals with income less than 100% of FPL, there will be no deductible until the program has paid \$2,000 in the state fiscal year. After \$2,000, they are responsible for 20% of the cost of the drug.</p> <p>As of 1/01, for those with income above 100% of FPL, they will pay a \$3 copay per prescription. For individuals with income above 100% of FPL, once the state has paid \$2,000 in the state fiscal year, the individuals then pay the \$3 copay plus 20% of the cost of the drug.</p>	<p>\$34.8 million; \$707.84</p> <p>The annual budget was increased by \$35 million to fund the first 6 months of the program beginning 1/01.</p>

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Indiana	HoosierRx 2000	Estimated at 40,000	Tobacco Settlement Funds	<p>Minimum age: 65 Family income less than 135% of Federal Poverty Guidelines (FPG) No current prescription drug insurance</p> <p>For individual monthly income: \$940 or less - 50% refund up to \$500 per year \$835 or less - 50% refund up to \$750 per year \$695 or less - 50% refund up to \$1,000 per year</p> <p>For couple monthly income: \$1,266 or less - 50% refund up to \$500 per year \$1,125 or less - 50% refund up to \$750 per year \$938 or less - 50% refund up to \$1,000 per year</p>	<p>All prescription legend drugs, which are covered by the State Medicaid Program are also covered under the HoosierRx Program, including insulin.</p> <p>Individuals mail application and if eligible, the state will mail refund certificates to beneficiary. Once determined eligible, beneficiaries ask pharmacist to print out all prescriptions filled for a specified quarter.</p>	<p>Refunds will cover up to half of those seniors' prescription costs in each quarter, up to \$1,000 a year according to the following schedule:</p> <p>To receive a refund for prescriptions bought October through December 2000, submit refund certificate and pharmacy printouts January through March 2001.</p> <p>For prescriptions bought January through March 2001, submit refund April through June 2001.</p> <p>For prescriptions bought April through June 2001, submit refund July through September 2001.</p> <p>For prescriptions bought July through September 2001, submit refund October through December 2001</p>	\$20 million

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Iowa	Iowa Prescription Drug Purchasing Co-op FY2001  (Beneficiaries pay a annual fee to join a co-op that would take advantage of volume discounts.)	N/A	Beneficiaries pay for prescription drugs; U.S. Department of Health and Human Services, Health Care Financing Administration Demonstration Project Grant provides funds for start-up administration and marketing of the program.	All individuals who are eligible for Medicare are also eligible to join the co-op.	All prescription drugs are covered	Beneficiaries would pay an annual fee to join the co-op, which is not yet determined.  Iowa would either directly or through a private contractor negotiate volume- purchasing discounts with drug manufacturers.  Co-op members would be eligible for these discounts when purchasing their medications.	\$1 million grant from the Health Care Financing Administration
Kansas	Senior Pharmacy Assistance Program 2000	N/A	Senior Services Trust Fund	Minimum age: 67 Income: 150% of poverty level Must not qualify for other drug-related programs	Covers up to \$1200 per year for those who are eligible. Only covers maintenance drugs for specific diseases	Requires a copayment of not more than 30 percent of the cost of each prescription	N/A

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Maine (I)	Low Cost Drugs for the Elderly Program 1975  (Beneficiaries incorporated into 1115 Medicaid waiver, Healthy Maine Prescriptions Program)	46,000	State General Revenue	Minimum age: 62 Disabled: age 19 or over Single: \$15,244 Married: \$20,461	Covers both prescription and non-prescription drugs produced by manufacturers who enter into rebate agreement	No deductible Co-pay is \$2 or 20% of the medication's price (the price as allowed by the Dept. of Human Services), whichever is greater and if individual is using generic drugs, or drugs to treat major conditions of seniors, i.e. heart disease, diabetes, etc.	\$22 million; \$154.55
Maine (II)	Healthy Maine Prescriptions Program June 2001  (Incorporates Low Cost Drugs for the Elderly Program beneficiaries)	225,000 eligible  As of August 2001, 61,000 enrolled.	1115 Medicaid Waiver	No age restrictions. All Maine residents with incomes up to 300% of the FPL: Single: \$25,000 Married: \$33,750	All prescription drugs under Medicaid	Annual administrative fee of \$25	
Maine (III)	Maine Rx 2001	Estimated at 125,000	Other Special Revenue	No age restrictions. All Maine residents without 3 <sup>rd</sup> party drug coverage	All prescription drugs with manufacturer rebate agreements	Combines discounts at participating pharmacies with negotiated rebates from manufacturers to at least partially reimburse the pharmacies and to cover administrative costs	
Maryland (I)	Maryland Pharmacy Assistance Program 1979	35,901	State General Revenue	No age restrictions Single: \$10,000 and asset limit of \$3,750 Married: \$10,850 and asset limit of \$4,500	Chronic maintenance drugs; anti-infective drugs, insulin	No deductible Co-pay is \$5	FFY00: \$45.1 million for program benefits; \$581,334 for administrative.

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Maryland (II)	Short-Term Prescription Drug Subsidy Plan July 2001 to July 2003	Maximum of 30,000	37.5% of the total value of the differential provided to carriers that offer Substantial, Available, and Affordable Coverage (SAAC)	Minimum age: 65 Medicare beneficiaries at or below 300% of the FPL: Single: \$25,770 Married: \$34,830	Medicare+Choice prescription drug formulary	Monthly premium is \$10 Co-pay is \$10 for generics, \$20 brand- name, and \$35 non- preferred brand-name Annual benefit limit is \$1,000	\$22 million
Maryland (IIIa)	Maryland Pharmacy Discount Program (as part of the Medicaid program- contingent upon HCFA approval of 1115 waiver)	Estimated participation is 105,000  Potential eligible is 210,000	Tier I: No cost (administrative costs covered by enrollees) Tier II: State General Revenue and federal Medicaid matching funds	Minimum age: 65 All Medicare beneficiaries including disabled who qualify for Medicare No other drug coverage  Under Tier II, greater subsidies will be provided to enrollees under 175% of FPL Single: \$15,033 Married: \$20,318	All prescription drugs under Medicaid	Tier I: Enrollees purchase prescriptions covered by Medicaid for 82% of Medicaid price at pharmacy. Pharmacies required to charge Medicaid price plus \$1 dispensing fee  Tier II: For enrollees with income at or below 175%, State will cover 25% of prescription drug cost after Medicaid price	\$8 million in State General Revenue funds  \$8 million in federal matching funds

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Maryland (IIIb)	Maryland Pharmacy Discount Program (as part of the Maryland Pharmacy Assistance Program-contingent upon HCFA denial of 1115 waiver)	Estimated participation is 105,000  Potential eligible is 210,000	Tier I: No cost (administrative costs covered by enrollees) Tier II: State General Revenue	Minimum age: 65 All Medicare beneficiaries including disabled who qualify for Medicare No other drug coverage Income: At or below 250% of FPL Single: \$21,475 Married: \$29,025  Under Tier II, greater subsidies will be provided to enrollees under 175% of FPL Single: \$15,033 Married: \$20,318	All prescription drugs covered under the Maryland Pharmacy Assistance Program (MPAP)	Tier I: Enrollees purchase prescriptions covered by Medicaid for 85% of MPAP price at pharmacy Pharmacies required to charge Medicaid price plus \$1 dispensing fee  Tier II: For enrollees with income at or below 175%, State will cover 25% of prescription drug cost after Medicaid price	\$8 million
Maryland (IV)	Maryland Medbank Program July 2001 to July 2003 MD Health Care Foundation is required to contract with local government or other nonprofit entities for operation of 5 regional sites throughout State		Foundation releases funds to the contracting entities based on need and justification contained in quarterly financial reports	Any individual who meets the criteria established by the pharmaceutical manufacturer's patient assistance program	Contracting entities are authorized to use program funds to purchase interim supplies of drugs for individuals who have applied for a manufacturer's program, but have not yet received the drug		FY02: maximum of \$2.5 million  FY03: maximum of \$3 million
Massachusetts (I)	The Pharmacy Program 1996	43,000	Cigarette tax revenues and state appropriation	Minimum age: 65 Disabled: eligible Single: \$15,492 Married: \$20,769	All drugs covered by the state Medicaid program; also insulin and syringes	No deductible Co-pay is \$3 for generic version; \$10 for brand name drugs and certain medical supplies	\$72 million; \$750.00
Massachusetts (II)	The Pharmacy Program Plus (In effect 1/00 – 12/31/00)	N/A		Minimum age: 65 Disabled: must work less than 40 hours/week Single: \$41,220 Married: \$55,320	All prescription drugs in all therapeutic classes, including insulin and syringes (except those excluded from MassHealth)	No deductible Co-pay is \$3 for generic drugs, insulin, and syringes; \$10 for brand name drugs	

State Pharmaceutical Assistance Programs  
National Governors Association

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Massachusetts (III)	The Prescription Advantage Program (In effect 4/01 and will replace Massachusetts I and II programs)	N/A	Tobacco Settlement Funds	Minimum age: 65 Disabled: certain individuals – singles with annual income below \$16,152 and married couples with annual income below \$21,828 and either do not work or work less than 40 hours per month  Income: no upper income limit for individuals over age 65	All prescription drugs	No deductible or premiums if income is below 188% of FPL (\$15,698) Above 188% of FPL, premiums and annual deductibles will be based on a sliding income scale with maximum monthly premium of \$82  Co-pay for all members will be based on a sliding income scale  Maximum out of pocket for co-pays and deductibles is	For SFY2000, (program will only be operating for 3 months): \$32.2 million
Michigan (I)*	Michigan Emergency Pharmaceutical Program for Seniors (MEPPS) 1988  Program ends September 20, 2001  To be absorbed by the EPIC program	13,000	General Revenue	Minimum age: 65 Income less than 150% of federal poverty level.  Monthly drug expenses of at least 10% of monthly income for singles.	All drugs covered under the state Medicaid program	No deductible  Voluntary copayment of \$0.25	\$6 million (1998); Average of \$436 per participant over the maximum coverage of three months.
Michigan (II)	Prescription Drug Credit Program 1988/1989  Program ends December 31, 2001	About 31,000 in 1998	General Revenue	Minimum age: 65 Income less than 150% of the federal poverty level.	N/A	Tax credit of up to \$600 for prescriptions exceeding 5% of household income.	\$14-\$15 million

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Michigan (III)	Elder Prescription Insurance Coverage (EPIC) Program October 1, 2001  EPIC will replace MEPPS and the Credit Program.	Potential eligibles are estimated to be up to 225,000	General Revenue	Minimum age: 65 Income less than or equal to 200% of the federal poverty level. No deductions in calculating income allowed.  Participants must not be receiving Medicaid benefits or have other prescription drug insurance, except for Medicare, Medicare supplemental insurance or other federal senior prescription drug insurance.  Must not be a resident of an institution.	Drug coverage will be similar to the Medicaid program – insulin and syringes will be included	Annual administrative fee of \$25.  Copayments cannot exceed 20% of the cost of the prescription drug with a maximum monthly copayment amount calculated according to income.  Copay is \$15 for non- DAW brand-name drugs when generics substitution is available.  Dispensing fee equal to that of Medicaid program.	Budget is projected at approximately \$50 million for the first year of the program.
Minnesota	Senior Citizen Drug Program 1999	11,600 estimated for 2000	General Revenue	Minimum age: 65 Single: \$4,000 Married: \$6,000	Medicaid formulary as well as antacids, insulin products, vitamins, smoking cessation, and lice medication	Deductible is \$35 per month No co-pay	\$29.0 million; \$106 in 1999, \$115 in 2000 (estimated)
Missouri	Pharmaceutical Tax Credit 2000  Repealed and replaced with Missouri Senior Rx Program	510,000	State General Revenue	Minimum age: 65 Individual, adjusted gross income under \$25,000.		Maximum tax credit of \$200 if income is \$15,000 or less. Above \$15,000, tax credit amount reduced by \$2 for every \$100 increase in income up to \$25,000. Incomes over \$25,000 are not eligible to receive the tax credit.	\$52.4 million

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Missouri (II)	Missouri Senior Rx Program July 1, 2002	Tier 1: Eligible: 288,000 Est. Participants: 57,000  Tier 2: Eligible: 95,000 Est. Participants: 20,000	State General Revenue and Tobacco Settlement Funds	Minimum age: Tier 1 Single: \$12,000 Married: \$17,000  Tier 2 Single: \$17,000 Married: \$23,000	All prescription drugs	Tier 1: Enrollment fee of \$25; Deductible not less than \$250  Tier 2: Enrollment fee of \$35; Deductible not less than \$500  For both Tiers, once deductible met, enrollee pays at least 40% of drug's cost and state pays remaining.  Annual cap of \$5,000 for both Tiers.	
Nevada	Senior Rx Subsidy for Prescription Drugs January 2001	Estimated 10,000	Tobacco Settlement Funds	Minimum age: 62 Family: \$21,500 Nevada residency for minimum of one year. Must not be eligible for Medicaid benefits.	Basic: prescriptions on a managed formulary Enhanced: preferred prescription list	Maximum subsidy of \$480/year. Sliding scale paying a percent of premium or \$480, whichever is less. Income scale: Up to \$12,700- 90% of premium \$12,701-\$14,800 - 80% \$14,801-\$17,000 - 50% \$17,001-\$19,100 - 25% \$19,101-\$21,500 - 10%	\$4.6 million
Nevada (II)	Senior Rx Subsidy for Prescription Drugs July 1, 2001  Updates and replaces January 2001 Senior Rx program	Estimated 5,800	Tobacco Settlement Funds	Minimum age: 62 Family: \$21,500 Nevada residency for minimum of one year. Must not be eligible for Medicaid benefits.	All drugs on the preferred prescription list	\$100 deductible and annual premium paid by the state  Co-pay is \$10 for generics; \$25 for brand name	\$6.5 million  State will pay annual premium of \$1,280 per senior to insurance companies.

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
New Hampshire	Senior Prescription Drug Discount Pilot Program 2000- Two year pilot	Estimated 12,000	No State funds. Contractor providing administrative funds.	Minimum age: 65 No income requirements.	All prescription drugs, except for intravenous or experimental drugs.	Percent discounts depending on brand of medication.	N/A
New Jersey (I)	PAAD – Pharmaceutical Assistance for the Aged and Disabled 1975	FY01: 163,743 aged and 24,728 disabled	State General Revenue and Casino Revenue	Minimum age: 65 Disabled: eligible for SS benefits Single: \$19,238 Married: \$23,589	All prescription drugs	No deductible; Co-pay is \$5	FY01: \$313 million; \$1,653
New Jersey (II)	Senior Gold Program 2001	Estimated at 100,000	Tobacco Settlement Funds	Minimum age: 65 Disabled: eligible for SS benefits Single: \$29,238 Married: \$33,589	All prescription drugs	Single: \$15 copayment plus half the remaining cost of the prescription until they have spent \$2,000. After spending \$2,000, there is only a copy of \$15.  Married: \$15 copayment plus half the remaining cost of the prescription until they have spent \$3,000. After spending \$3,000, there is only a copy of \$15.	\$50 million

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
New York	EPIC – Elderly Pharmaceutical Insurance Coverage 1987	215,600	Tobacco Funds	Minimum age: 65	Most prescription drugs are covered as well as insulin and insulin supplies. The manufacturer must participate in EPIC's Manufacturer Rebate Program. No experimental drugs.		\$144.5 million budget beginning April 2000;
New York	EPIC Fee Plan	111,600		Single: \$0-\$18,500 Married: \$0-\$24,400		Annual fee \$8-\$280 – no deductible Limit on annual copayments of \$300- \$1,088	Sliding fee scale based on income and marital status.  Co-pay based on cost of Rx Up to \$8 (\$3) \$8.01-\$13 (\$5) \$13.01-\$23 (\$7) \$23.01-\$33 (\$10) \$33.01 and up (\$23)
	EPIC Deductible Plan	5,350		Single: \$10,800 -18,500 Married: \$14,400 - 24,400		Deductible is \$468- \$638, no fee. Limit on annual copayments \$633-\$863.	

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
New York (II)	EPIC January 2001	215,000	Tobacco Funds and State General Revenue	Minimum age: 65 Single: \$35,000 Married: \$50,000  Not eligible if receiving Medicaid	Most prescription drugs are covered as well as insulin and insulin supplies. The manufacturer must participate in EPIC's Manufacturer Rebate Program. No experimental drugs.	With changes on January 1, 2001, copayments and annual fees are reduced by 20%	\$180 million added beginning January 1, 2001  Total budget for all EPIC plans from April 2000 to March 2001 was \$238.2 million. Expected budget for all EPIC plans from April 2001 to March 2002 is \$396.4 million for program benefits and \$11 million for administration.
New York (II)	EPIC Fee Plan	142,000		Single: \$20,000 Married: \$26,000		Annual fee \$8-\$300, no deductible. Limit on annual co-payments \$291-\$1,160  Co-pay based on cost of RX Up to \$15 (\$3) \$15.01-\$35 (\$7) \$35.01-\$55 (\$15) Over \$55 (\$20)  Sliding fee scale based on income and marital status.	

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
New York (II)	EPIC Deductible Plan	73,000		Single: \$20,001-35,000 Married: \$26,001- \$50,000		Deductible \$530- \$1,715. Limit on annual copayment of \$1,050 - \$2,000	
North Carolina (I)	Prescription Drug Assistance Program 2000	N/A	State General Revenue	Minimum age: 65 Single: \$12,360 150% of poverty level	Only drugs pertaining to cardiovascular disease (CVD) and diabetes. No Medicaid coverage.	No deductible Co-pay is \$6	\$500,000 budget; \$1,000/person projected for CVD and \$629/person projected for diabetes

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
North Carolina (II)	Prescription Drug Assistance Plan for Seniors Spring 2002  (replaces Prescription Drug Assistance Program)	100,000	Tobacco Settlement Funds from state's Health and Wellness Trust Fund	Minimum age: 65 Income: Up to 200% of FPL Single: \$17,180 Married: \$23,220  Must be uninsured and not eligible for Medicaid	Coverage limited to drugs for treatment of cardiovascular disease, diabetes mellitus, and chronic obstructive pulmonary disease (COPD)  Also funding disease management and pharmaceutical manufacturers donating prescription drugs to beneficiaries	Maximum subsidy of 60% per prescription: annual benefit cap of \$600 which is 60% of first \$1,000 in drug costs.	\$35 million for first year of program, with \$32 million to provide prescription drugs and \$3 million for education and counseling for seniors  \$600 per person
Oregon**	Senior Prescription Drug Assistance Program 2001	Estimated at 110,000	Cigarette Tax Revenue	Minimum age: 65 Income: Up to 185% of FPL Single: \$15,891 Married: \$21,478  Maximum assets of \$2,000	All prescription drugs available under the Oregon Health Plan	Annual benefit cap of \$2,000  Maximum subsidy of 50% per prescription	

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Pennsylvania (I)	PACE – Pharmaceutical Assistance Contract for the Elderly 1984	211,711 (as of March 2001)	State Lottery	Minimum age: 65 Single: \$14,000 Married: \$17,200	Most prescriptions are covered, as well as insulin, syringes, and needles. Does not cover experimental drugs, medications for baldness or wrinkles, or non-prescription drugs.	No deductible Co-pay is \$6	SFY02 estimates: \$359 million - (before rebate) for both PACE and PACENET; \$1,450 (net per PACE enrollee after rebate); \$1,000 (net per PACENET enrollee after rebate.)  PACE and PACENET contract administration estimated costs for 2002 - \$9.5 million
Pennsylvania (II)	PACENET – PACE Needs Enhancement Tier 1996	23,000 (as of March 2001)	State Lottery	Minimum age: 65 Single: \$17,000 Married: \$20,200	Most prescriptions are covered, as well as insulin, syringes, and needles. Does not cover experimental drugs, medications for baldness or wrinkles, or non-prescription drugs.	Deductible is \$500 annually Co-pay is \$8 (\$15 for brand name medication)	

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Rhode Island	RIPAE - Rhode Island Pharmaceutical Assistance for the Elderly 1985	33,000	State Revenue and Manufacturer Rebates	Minimum age: 65 Single: \$16,490 Married: \$20,613 Excludes income spent on medication if greater than 3% of total income (the program's reach has been expanded to cover services for seniors with incomes up to \$41,400)	Medication for high blood pressure, heart disease, high cholesterol, circulatory insufficiency, asthma or chronic respiratory disease, diabetes, cancer, Parkinson's disease, glaucoma, Alzheimer's disease, urinary incontinence, depression, arthritis, anti-effectives, drugs for the treatment of influenza A and B available at a sliding rate based on income for state and consumer co- payments for prescriptions under the state pharmaceutical assistance to elderly program.	No deductible Co-pay percentage is determined using a formula based on income. RIPAE members pay either a 40%, 70% or 85% of the discounted RIPAE price for covered prescription drugs.  Co-pays for Singles: \$0-\$16,490 - 40% \$16,490-\$20,700 - 70% \$20,700-\$36,225 - 85%  Co-pays for Married: \$0-\$20,613 - 40% \$20,613-\$25,875 - 70% \$25,875-\$41,400 - 85%	\$10 million; \$537.30 per active RIPAE member (member filling prescriptions during benefit year).

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
South Carolina	SilverRxCard October 2000	34,000	Tobacco Settlement Funds	Minimum Age: 65 Resident of SC for 6 months ineligible for Medicaid no current prescription benefits from insurance or other sources not over 175% FPL	Non-experimental, non OTC drugs, and some other drugs such as those for baldness are excluded. Only includes FDA- approved drugs	There is a \$500 calendar year deductible. While meeting this deductible, SilverRxCard members receive a 10% discount on prescriptions.  After meeting the deductible, generic drugs are \$10 for a 30- day supply and brand- name drugs are \$21 for a 30-day supply. Generics are mandatory when available.	SFY00: \$20 million
Texas	Health and Human Services Commission must develop and implement a program by January 2002	To be determined	State Revenue	Medicare dual-eligibles and others; upper income eligibility limit to be determined by Commission	To be determined	To be determined	SFY02: \$128.8 million
Vermont (I)	VHAP - Vermont Health Access Program (pharmacy component) 1996	8,058 (Average monthly SFY 2000: 7/1/99- 6/30/00)	Medicaid (1115 Demonstration Project)	Aged: Minimum age 65 Disabled: Recipients of disability benefits through OASDI or Medicare through 150% FPL Single: \$12,528 Married: \$16,884	Covers all drugs in Medicaid; no experimental or non-prescription drugs. Maintenance only for individuals between 150% and 175% of federal poverty level.	No deductible. Co-pay is \$1 for prescriptions costing \$1 to \$29.99 and \$2 for prescriptions costing \$30 or more.	\$13 million net of rebate (estimated SFY 2001); \$1,489 SFY 2001
Vermont (II)	VScript (incorporated into VHAP) 1999	2,171 (Average monthly SFY 2000: 7/1/99- 6/30/00)	Medicaid (1115 Demonstration Project)	Aged: Minimum age 65 Disabled: Recipients of disability benefits through OASDI or Medicare through 175% FPL Single: \$14,616 Married: \$19,692	Covers maintenance drugs only, such as anti-hypertensives	No deductible. Co-pay is \$1 for prescriptions costing \$1 to \$29.99 and \$2 for prescriptions costing \$30 or more.	\$3.6 million net of rebate (estimated SFY 2001); \$1,489 SFY 2001

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Vermont (III)	VScript Expanded (state-only VScript) January 2000	1,901 (Average monthly 7/1/00- 12/31/00)	State funds	Aged: Minimum age 65 Disabled: Recipients of disability benefits through OASDI or Medicare through 225% FPL Single: \$18,792 Married: \$25,320		No deductible. Co-pay is 50% of prescription cost.	\$1.1 million net of rebate (estimated SFY 2001); \$295.64 7/1/00- 12/31/99
Vermont (IV)	Pharmacy Discount Program (PDP) 2001  (Suspended June 2001)	1,104 January 2001  Projected year end, 2001: 14,327 Medicare covered beneficiaries an additional 6,266 individuals	Medicaid (1115 Demonstration Project)	Any Medicare-covered individual with income above 150% of the FPL without drug coverage. This includes those eligible for VScript (up to 225% of the FPL) who currently receive a benefit for maintenance drugs.  All individuals with income up to 300% of the FPL who do not have a benefit program that includes drug coverage. Single: \$25,056 Married: \$33,756	All prescription drugs	Benefit is drugs at the Medicaid rate including cost of dispensing less anticipated rebate of 17.5%.  Annual enrollment fee of \$24 paid as \$3 for each of the first eight prescriptions costing \$20 or more in a calendar year.	\$659,187 before rebate (estimated SFY 2001); \$9.86 1/01

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Washington**	A Washington Alliance to Reduce Prescription-Drug Spending (AWARDS) 2001  (Senior citizens pay a nominal fee to join a co-op that would take advantage of volume discounts.)  May 2001, AWARDS program suspended because the state agency did not have the authority to implement it without legislative approval.	N/A	Beneficiaries pay for prescription drugs	Minimum age: 55 All individuals over age 55 are eligible for AWARDS.  Individual purchases at participating pharmacies, will be merged with the buying power of the state Uniform Medical Plan to buy drugs at substantially lower costs.	All prescription drugs	Annual fee of \$15 per individual and \$25 per family.  AWARDS members can expect to pay from 12 to 30 percent less than retail prices for prescription drugs.  If members order from a mail service, they can expect discounts from 20 to 49 percent. Discounts will vary, depending on an individual's drug profile and current use of generic drugs.	No cost to the state
West Virginia	Senior Prescription Assistance Network (SPAN) II 2000  (replaced with Golden Mountaineer Program)	Estimated 100,000  Actual 4,000	N/A	Minimum age: 65 Income: At or below 300% of FPL Single: \$25,050 Married: \$33,750	All prescription drugs	No premiums or deductibles	N/A
West Virginia (II)	Golden Mountaineer Discount Card Program September 2001 (for pharmacy component)  (replaces SPAN II program)		N/A	Minimum age: 60 No income requirements	All prescription drugs	N/A	N/A

State	Program Name Year Began	Annual # of Recipients	Funding Source	Eligibility (Age & Maximum Income)	Drugs Covered / Restrictions	Deductible / Co-payment (Per Prescription)	Annual Budget; Annual Average Cost per Recipient
Wisconsin	SeniorCare 2001	Estimated 260,000 eligible	State General Revenue	Minimum age: 65 Income: At or below 240% of FPL Single: \$20,616 Married: \$27,864	All prescription drugs	\$500 deductible, waived for those with income less than 160% Co-pay is \$5 for generic drugs; \$15 for brand name	FY02: \$2 million FY03: \$49.9 million (9/1/02) Annualized Cost \$78 million  Reduce the average annual per beneficiary prescription bill of \$1,600 by \$970
Wyoming	Minimum Medical Program (MMP) 1988	539/month	State General Revenue	No age restrictions. Income: \$8,240; 100% of federal poverty level with no more than \$1,000 in resources	All prescription drugs and oxygen services.	No deductible Co-pay is \$25 per prescription for a maximum of \$75 per month per recipient. Three prescriptions per month and oxygen services.	\$1.162 million; \$1,041/month

\*Michigan also has the State Medical Program that provides limited medical assistance, including prescription drugs, to certain financially needy and/or disabled persons who do not qualify for Medicaid.

\*\*Information for Oregon and Washington was not verified by state officials.

Information for the table was collected from interviews with state officials, the National Conference of State Legislatures, the National Pharmaceutical Council, and AARP.

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# Alaska State Legislature

SENATOR  
GENE THERRIAULT

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*Senate*

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Senate District Q

Senate Bill 312: "An act relating to enterprise zones"

Sponsor: Senate State Affairs Committee

## Sponsor Statement

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Senate Bill 312 will authorize the Governor to declare certain areas of Alaska "Enterprise Zones." An enterprise zone is an area that is in economic trouble with potential for rebuilding and growth. The bill is designed to offer economic incentives for business to locate their operations in the area and to hire people that reside in that area.

Traditionally, enterprise zones around the country have relied on credits or exemptions toward State taxes or fees. Since the State of Alaska has little in the way of taxes this bill will combine breaks from state taxes with the authorization for local communities to offer their own incentives for these zones. The possible state and city/borough incentives are as follows:

### Local Incentives

- 1) Reduction of municipality's permit or user fees.
- 2) Credits toward of exemptions from property taxes.
- 3) Flexibility in regulations like zoning, permitting and exemptions from local ordinances.
- 4) Lease or sale of the municipality's real property within the zone as long as the property was not designated for public use.

### State Incentives

- 1) 15% of the initial investment in the area would count as a credit to state corporate income taxes.
- 2) After a business operates in a zone for one year they would qualify for a \$500 corporate income tax credit for each new employee hired.

These incentives will allow and encourage business to invest and develop in areas of our state that have seen economic decline in the recent past. If the program becomes successful at the state level it would help some communities qualify for federal grants and federal tax exemptions offered by the Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA).

Passage of SB 312 will help to spur investment into areas of the state that have experienced economic downturn.

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 312  
(S) Publish Date: 5/6/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
Title An Act relating to enterprise zones BRU Community Assist & Econ. Dev. (405)  
Component Community & Business Development  
Sponsor Senate State Affairs  
Requester Senate Community & Regional Affairs Component No. 2486

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	34.7	17.4	17.4	17.4	17.4	17.4
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>34.7</b>	<b>17.4</b>	<b>17.4</b>	<b>17.4</b>	<b>17.4</b>	<b>17.4</b>

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	34.7	17.4	17.4	17.4	17.4	17.4
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>34.7</b>	<b>17.4</b>	<b>17.4</b>	<b>17.4</b>	<b>17.4</b>	<b>17.4</b>

Estimate of any current year (FY2002) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time	0.50	0.25	0.25	0.25	0.25	0.25
Part-time						
Temporary						

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

This legislation would create a new state-administered program of enterprise zones. It requires that the department develop regulations to operate the program, including a formal application process and appeals process. The department would be required to annually perform analyses to determine if applications met specific requirements laid out in the legislation. The department would then prioritize applications and make recommendations to the Governor and the Legislature regarding appropriate enterprise zone incentives.

These requirements represent significant administrative duties that cannot be absorbed by existing staff. The department estimates that the new administrative functions would require an additional Development Specialist II position (Range 20a) for half of the first program year (during regulation and application process development); and, for a fourth of a position in subsequent years for general program administration.

Prepared by: Pat Poland, Director Phone 907-269-4580  
Division Community & Business Development Date/Time 3/22/02 5:21 PM  
Approved by: Deborah B. Sedwick, Commissioner Date 3/22/2002  
Agency Department of Community & Economic Development

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: SB312  
(S) Publish Date: 5/6/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title: Enterprise Zones BRU: Revenue Operations  
Component: Tax Division  
Sponsor: Senate State Affairs  
Requester: Community and Regional Affairs Component No. 2476

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>
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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--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation, which is meant to promote economic development through the use of so-called "enterprise zones," would grant income tax credits to businesses that construct/operate new business facilities in an enterprise zone. The Department cannot estimate the cost to the state of the tax credits because it has no way of estimating how many businesses might participate in the program. The program would grant taxpayers a credit of 15% of the qualifying investment and a \$500 credit for each new employee at the facility. Under that formula, for example, a \$2 million investment employing 25 workers would be eligible for up to a \$312,500 tax credit its first full year.

It should be noted that taxpayers, under this legislation, would not be allowed to carry over any unused tax credits for subsequent years, and therefore might not be able to fully use the credits granted by this bill. Also, only C Corporations pay corporate income tax in Alaska, and any S Corporations, partnerships, limited liability companies or sole proprietorships would be excluded from the tax credit provisions of this legislation.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469  
Division: Department of Revenue Date/Time 4/29/02 7:14 PM  
Approved by: Larry Persily, Deputy Commissioner Date 4/29/2002  
Agency: Department of Revenue

## FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. SB312 #2

### ANALYSIS CONTINUATION

Section 1 amends AS 44.33 to add new sections pertaining to enterprise zones. The governor may designate up to four zones each year from a list provided by the Department of Community and Economic Development. A designation is effective for 20 years. A borough, unified municipality or city if the city is not within a borough may apply to have a qualifying geographical area designated as an enterprise zone, and a municipality may not have more than three zones at the same time. The municipality may offer certain incentives within the zones.

Section 2 amends AS 44.33 to add new sections that provide that the Department of Community and Economic Development will prioritize the list of applications submitted to the governor according to the degree of economic distress, potential for economic development and neighborhood stabilization, and feasibility of local incentives. The Department of Community and Economic Development may also recommend incentives within the enterprise zones including reductions in state permit or user fees, credits on or exemptions from state income taxes, and sales or leases of state realty to private persons.

Section 3 amends AS 29.45.050 to provide that a municipality may exempt property from the local property tax, or provide a credit against the property tax, for property located within an enterprise zone.

Section 4 amends AS 43.20.021(d) to provide that enterprise zone tax credits are not reduced by that section.

Section 5 amends AS 43.20 to add new sections providing for an enterprise zone investment tax credit against the corporation net income tax. The credit amount is 15% of the investment, which is the purchase price or the net rental rate paid, in such items as land, factories, mills, warehouses, other buildings, machinery, equipment, and other tangible personal property, all of which are used exclusively within an enterprise zone. The credit is reduced by 1/12th for each month in the tax year in which the taxpayer did not operate the facility for that entire month. The part of the credit disallowed is not available as a credit in any subsequent tax year. If the investment replaces another facility of the taxpayer or a related person, the credit is reduced by the average annual investment in the former facility for the three preceding tax years.

A \$500 credit is provided for each new employee who works in the enterprise zone. This credit is only available in the first full income tax year (generally the tax year succeeding the tax year in which the investment was made) after the establishment of a new business facility.

Based upon our interpretation of the bill, it is further assumed that:

1. The totals credits available in the tax year are limited to the amount of the Alaska income tax liability; the credit not being in the nature of a refundable credit;
2. Any unused credit is lost if not used within the tax year in which it is generated; there is no carryforward;
3. Self-constructed property by a taxpayer in an enterprise zone, since such property is neither purchased nor rented, does not qualify as an investment for which the credit would apply;
4. Property purchased in the tax year and first used outside the enterprise zone before being brought into and used exclusively in the enterprise zone, or property first used in the enterprise zone and subsequently removed, would qualify for the credit but the credit would be reduced by 1/12 for each month the property was not used exclusively within the enterprise zone;
5. The taxpayer makes the determination whether an investment "replaces" existing property (in which the credit is reduced) or is in addition to or otherwise does not replace existing property (in which the credit is not reduced);
6. With respect to transactions between related persons, the amount of the investment from which the credit will be computed is the stated sale price or the rental paid without regard to fair market value (the related party provision in the bill applies only to the situation where an investment replaces existing property and then it only calls for a reduction based upon the average annual investment for the 3 years prior to the related party transaction); and,
7. An individual is not controlled by a wholly owned corporation taxpayer and therefore the related person rules will not apply to the individual and the wholly owned corporate taxpayer.

Section 7 amends the uncodified law by adding a new section to provide that the corporation income tax provisions become effective for tax years beginning on or after January 1, 2003.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
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Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 13, 2002

**SUBJECT:** Sectional summary of SB 312  
(Work Order No. 22-LS1480\A)

**TO:** Senator Gene Therriault  
Attn: Zach

**FROM:** *JB*  
Theresa L. Bannister  
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Adds new sections in a new article dealing with enterprise zones.

Sec. 44.33.311. Authorizes the governor to designate up to four enterprise zones each year from a prioritized list. A designation lasts for 20 years.

Sec. 44.33.313. Lists the requirements for geographical areas to be eligible to be enterprise zones.

Sec. 44.33.315. Allows a borough, a unified municipality, and certain cities to apply to the Department of Community and Economic Development to have a geographical area designated an enterprise zone. Lists what information must be provided in the application.

Sec. 44.33.317. Limits to three the number of designated enterprise zones that may exist within a qualifying municipality at the same time.

Sec. 44.33.319. Lists the incentives that a qualifying municipality may identify in its application that it will provide to the area in the proposed zone.

Section 2. Adds the rest of the sections in the new enterprise zone article.

Sec. 44.33.321. Directs the department to verify the information and eligibility of areas proposed as enterprise zones. Directs the department to prioritize each year's applications

*Sectional Analysis*

according to certain listed items. Directs the department to use certain data from the latest completed U.S. census when determining the degree of economic distress of an area. Directs the department to transmit the prioritized list to the governor each year. If legislative action is needed to be able to use a particular incentive, directs the department to recommend the legislative action to the governor or the legislature.

Sec. 44.33.323. Allows a qualifying municipality that submits an application for an area to be designated an enterprise zone to appeal to the commissioner a determination that the area is not eligible to be an enterprise zone, a denial of the application (for a reason other than a determination of ineligibility), and the priority given to the application. States that the commissioner's determination may be appealed to the superior court. Directs the department to adopt regulations that establish the procedure for the appeal to the commissioner.

Sec. 44.33.325. Directs the department to establish by regulation deadlines for the submittal, review, and other administrative handling of applications. Directs that the deadlines be compatible with the deadlines for grant applications under 42.U.S.C. 5318a.

Sec. 44.33.327. Allows the department to adopt other regulations to implement the enterprise zone article. Directs that department regulations required or authorized for this article must be adopted under the state's Administrative Procedure Act.

Sec. 44.33.329. Defines terms for the enterprise zone article.

**Section 3.** Amends the municipal code to allow a borough, a unified municipality, and certain cities to partially or totally exempt by ordinance from taxation the property in an enterprise zone or to provide tax credits on taxes due on property in an enterprise zone.

**Section 4.** Amends a subsection of the state's income tax chapter to state that the tax credit limitation imposed by the subsection does not apply to enterprise zone investment tax credits under sec. 43.20.046 or to tax credits for new business facility employees under sec. 43.20.047.

**Section 5.** Amends the state's income tax chapter by adding new sections to allow enterprise zone tax credits.

Sec. 43.20.046. Allows a taxpayer to apply against the taxpayer's tax liability for a tax year 15 percent of certain investments in a new business facility in an enterprise zone during the tax year. Prorates the tax credit if the taxpayer has not operated the new business facility for the entire tax year. Reduces the tax credit by a certain amount if the new business facility replaces another facility. Defines certain terms for the section.

Sec. 43.20.047. Allows a taxpayer who establishes a new business facility for at least one year in an enterprise zone to apply, as a tax credit for the first full income tax year of the new business facility, \$500 for each new business facility employee who works in the

Senator Gene Therriault

March 13, 2002

Page 3

zone. Indicates how to calculate the number of new business facility employees that may be claimed for credit. Defines certain terms for the section.

Sec. 43.20.048. Defines certain terms for secs. 43.20.046 - 43.20.048.

Section 6. Adds implementation of the new enterprise zone article provisions to the department's duties.

Section 7. States that the bill's changes to the state's income tax chapter apply to tax years beginning on or after January 1, 2003.

If I may be of further assistance, please advise.

TLB:med  
02-276.med



# GREATER \* FAIRBANKS CHAMBER OF COMMERCE

250 Cushman St., Suite 2D, Fairbanks, AK 99701-4665  
phone: (907) 452-1105, fax: (907) 456-6968

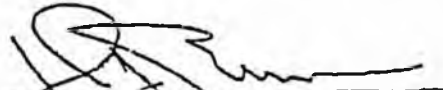
e-mail: [staff@fairbankschamber.org](mailto:staff@fairbankschamber.org)  
website: [www.fairbankschamber.org](http://www.fairbankschamber.org)

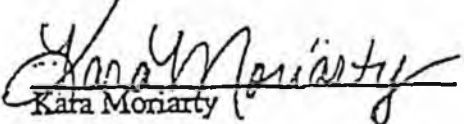
NOW THEREFORE BE IT RESOLVED that the Greater Fairbanks Chamber of Commerce supports the creation of a Statewide Enterprise Zone program.

BE IT FURTHER RESOLVED that the Greater Fairbanks Chamber of Commerce supports the passage of legislation that would provide such program.

BE IT FURTHER RESOLVED that this resolution be distributed to:  
Governor Tony Knowles  
Interior Delegation  
Mayor Rhonda Boyles, Fairbanks North Star Borough  
Mayor Steve Thompson, City of Fairbanks  
Commissioner Deborah Sedwick, Department of Community and Economic Development  
Senator Ted Stevens  
Senator Frank Murkowski  
Congressman Don Young

PASSED in Fairbanks, Alaska this 5th day of November, 2001 by the Greater Fairbanks Chamber of Commerce Board of Directors.

  
John Burris  
Board Chair

  
Kara Moriarty  
President/CEO





217 Second Street, Suite 200 • Juneau, Alaska 99801  
 Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

March 26, 2002

Senator Gene Therriault  
 Alaska State Senate  
 State Capitol  
 Juneau, AK 99811

Dear Senator Therriault:

We are writing in support of SB 312, relating to the creation of enterprise zones. The *2002 AML Policy Statement* states: "The League supports the establishment of state programs to encourage local strategies for capital investment and support the development and implementation of local and regional economic development." The AML Land Use, Resources and Economic Development subcommittee specifically called for support of enterprise zones.

We believe passage of this legislation expands the list of tools available to the state and municipalities that could be used to facilitate urban renewal and encourage economic development in depressed areas of the state. As long as the formation of the enterprise zones remains a local option to be determined by the local community, we would encourage its passage.

We appreciate your taking a proactive role in offering an option to help communities find solutions to improve economic development. It is one of the top concerns of our membership.

If we can assist you further with this or any other municipal issue, please call on me.

Sincerely,

Kevin Ritchie  
 Executive Director

F-BNKS City Council

Introduced by: Councilman Kawasaki  
Date: June 18, 2001

RESOLUTION 3925

A RESOLUTION IN SUPPORT OF HB 36: A BILL  
PROVIDING FOR THE CREATION OF ENTERPRISE ZONES

WHEREAS, Enterprise Zones have been stimulating economic development in the United States for over 20 years by providing incentives for business development in impoverished areas; and

WHEREAS, in 1994, the Federal Government recognized the effectiveness of Enterprise Zones by instituting a Federal program named Empowerment Zones/Enterprise Communities; and

WHEREAS, the federal program has resulted in positive results in both urban and rural regions, including Metlakatla, Alaska; and

WHEREAS, HB 36 would establish a Statewide Enterprise Zone program to bring economic development to urban and rural communities in need; and

WHEREAS, HB 36 would establish a program consistent with the Alaskan politics of local control by offering an option, rather than a mandate; and

WHEREAS, HB 36 would expand local communities' authority to govern their own tax structure and to offer incentives for growth and business development; and

WHEREAS, HB 36 would allow local communities to choose the economic development incentive or incentives they feel best suits their communities from a short list of options; and

WHEREAS, HB 36 could facilitate access to federal economic development money for the identified communities through the Community Development Block Grant program; and

WHEREAS, designation as an Enterprise Zone under HB 36 could be used to fulfill some of the requirements for application to the EZ/EC Federal program;

3925

NOW, THEREFORE BE IT RESOLVED, that the City Council of the City of Fairbanks, Alaska supports the passage of HB 36.

BE IT FURTHER RESOLVED, that a copy of this resolution be sent to the Interior Delegation, Governor Tony Knowles and members of House State Affairs Committee.

PASSED AND APPROVED THIS 18th DAY OF JUNE, 2001.

*James C. Hayes*  
for James C. Hayes, Mayor *Actual Mayor*

AYES:  
NAYS:  
ABSTAIN:

*Nancy L. DeLeon*  
Nancy L. DeLeon, City Clerk

TED STEVENS, ALASKA, CHAIRMAN

COCHRAN, MISSISSIPPI  
SPECTER, PENNSYLVANIA  
J. DOMENICI, NEW MEXICO  
CHRISTOPHER S. BOND, MISSOURI  
SLADE GORTON, WASHINGTON  
MITCH MCCONNELL, KENTUCKY  
CONRAD BURNS, MONTANA  
RICHARD C. SHELBY, ALABAMA  
JUDD GREGG, NEW HAMPSHIRE  
ROBERT F. BENNETT, UTAH  
BEN NIGHTHORSE CAMPBELL, COLORADO  
LARRY CRAIG, IDAHO  
KAY BAILEY HUTCHISON, TEXAS  
JON KYL, ARIZONA

ROBERT C. BYRD, WEST VIRGINIA  
DANIEL K. INOUE, HAWAII  
ERNEST F. HOLLINGS, SOUTH CAROLINA  
PATRICK J. LEAHY, VERMONT  
FRANK R. LAUTENBERG, NEW JERSEY  
TOM HARKIN, IOWA  
BARBARA A. MIKULSKI, MARYLAND  
HARRY REID, NEVADA  
HERB KOHL, WISCONSIN  
PATTY MURRAY, WASHINGTON  
BYRON L. CORGAN, NORTH DAKOTA  
DIANNE FEINSTEIN, CALIFORNIA  
RICHARD J. DURBIN, ILLINOIS

## United States Senate

COMMITTEE ON APPROPRIATIONS  
WASHINGTON, DC 20510-6025

STEVEN J. CORTESE, STAFF DIRECTOR  
JAMES H. ENGLISH, MINORITY STAFF DIRECTOR

April 11, 2001

Representative Joe Hayes  
Alaska State Legislature  
State Capitol, Room 422  
Juneau, AK 99801-1182

Dear Representative Hayes:

Thank you for contacting me regarding Empowerment Zones and Enterprise Communities in relation to economic development opportunities in Alaska.

Over the course of the past fifty years, Congress has enacted several major economic development initiatives designed to revitalize some of the nation's more impoverished areas. The most recent actions came in the 1990's with the establishment of Empowerment Zones (EZ) and Enterprise Communities (EC). To date, Congress has authorized three rounds of designations for EZs and ECs. Empowerment Zones qualify for: (1) a 20-percent wage credit for the first \$15,000 of wages paid to a zone resident who works in the EZ, (2) an additional \$35,000 of section 179 expensing for a qualifying zone property, and (3) tax-exempt financing for certain qualifying zone facilities. Under the original law, each urban EZ is allocated \$100 million and each rural EZ is allocated \$40 million in block grant funds over the life of the program. Each of the urban and rural ECs are allocated approximately \$3 million in block grant funds.

Under this program, communities or states apply for recognition with the Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA). During the first round of applications, HUD and USDA received more than 500 nominations. The first round of designations produced 104 EZs and ECs. The second round of designations produced 20 additional EZs and 20 additional ECs. Late last year, Congress authorized the creation of an additional 9 EZs, seven for urban areas and 2 for rural areas. Under the law, these new EZs must be designated by January 1, 2002.

Based on information I have reviewed, Alaska received no rural EZ or EC designations in Round I and one Rural EC designation in Round II. That designation was given to Metlakatla. To date that community has received \$6,659,271 in federal, state and

private funding for its economic development initiatives under the program.

When Congress authorized Round III designations last year, we included a special computation provision for Alaska and Hawaii. Under the special rule, rural areas in Alaska and Hawaii may use median family income, rather than poverty, to determine their eligibility to apply for designation as a Round III Empowerment Zone. The authorizing legislation allows these states to employ either census tracts or block groups for determining eligibility. Census tracts or block groups in Alaska or Hawaii are eligible for Round III if at least 20 percent of the families residing within them have incomes that are 50 percent or less than the statewide median family income. For more information, you can visit the EZ/EC web page at [www.ezec.gov/round3](http://www.ezec.gov/round3).

In addition to the EZ and EC designations, HUD and USDA have assisted communities through the Champion Communities program. The program is designed to help those communities which applied for EZ or EC status but were not given the designation. In 1994, more than 220 rural communities organized and completed the strategic planning process as part of their application for Round I of the EZ/EC Initiative. To assure that their important work produced continuing benefits to these communities, USDA designated them as "Champion Communities" and provided assistance to them. During Round II, 160 communities submitted applications and 15 of the 25 newly designated rural Empowerment Zone and Enterprise Communities were Champion Communities from Round I. Since 1999, USDA has formalized the Champion Communities program by inviting all the communities which submitted strategic plans to continue implementing their plans by signing agreements with USDA. Champion Community status is important because USDA Rural Development has funded more than \$260 million in development projects in Champion Communities since 1995 and other agencies have targeted funds and other initiatives to these areas. In addition, USDA Rural Development has sponsored conferences to train community leaders and promote networking among communities. It provides targeted technical assistance to Champions and gives them preference points in decisions on project funding. Alaska currently has three Champion Communities - The Northwest Arctic Borough, the Yukon Kuskowwim Delta Region and the Delta Region Economic Development Council.

Thank you for your inquiry.

With best wishes,

Cordially,



TED STEVENS  
United States Senator



Councilman Scott Kawasaki  
Fairbanks City Council  
2008 Carr Avenue  
Fairbanks, Alaska 99709-4211

H: (907)479-0262  
F: (907)459-6710  
E-mail: scott\_kawasaki@hotmail.com

February 21, 2001

The Honorable Lesil McGuire, Chairman  
Special Committee on Economic Development, Trade and Tourism  
State Capitol Room 418  
Juneau, Alaska 99801

Dear Representative McGuire:

I would like to voice my support for House Bill 36 relating to Enterprise Communities and Empowerment Zones sponsored by Representative Joe Hayes.

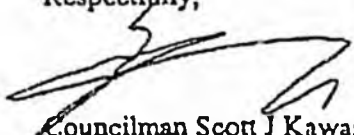
As a Councilman from the City of Fairbanks and a 20-year resident of the area, I have seen boom and stagnation, development and depression. The city is currently in a state of slow growth and I would entertain any feasible legislative support to allow us to encourage growth at the community and municipal level. I believe HB 36 can do this for us.

The principles of HB 36 are simple: give cities and municipalities more local control to govern their own tax structure and offer the incentives for growth and business development.

For instance, there are specific areas in the South Fairbanks business district that are impoverished, but have a great potential for future growth and industrial development. The area in South Fairbanks has all of the necessary utilities, large tracts of land with good soils and police and fire coverage, yet remains undeveloped. The ability to offer tax credits or exemptions from property taxes for this particular area could greatly promote growth.

I would encourage the passage of House Bill 36 from this committee.

Respectfully,

  
Councilman Scott J. Kawasaki  
City of Fairbanks

Proudly serving the citizens of the Golden Heart City

This stationery is paid for with personal funds. Not tax dollars or government funds were used in the production of this letterhead.

F-BANKS City Council

Introduced by: Councilman Kawasaki  
Date: June 18, 2001

RESOLUTION 3925

A RESOLUTION IN SUPPORT OF HB 36: A BILL  
PROVIDING FOR THE CREATION OF ENTERPRISE ZONES

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WHEREAS, HB 36 would establish a Statewide Enterprise Zone program to bring economic development to urban and rural communities in need; and

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WHEREAS, designation as an Enterprise Zone under HB 36 could be used to fulfill some of the requirements for application to the EZ/EC Federal program;

3925

NOW, THEREFORE BE IT RESOLVED, that the City Council of the City of Fairbanks, Alaska supports the passage of HB 36.

BE IT FURTHER RESOLVED, that a copy of this resolution be sent to the Interior Delegation, Governor Tony Knowles and members of House State Affairs Committee.

PASSED AND APPROVED THIS 18th DAY OF JUNE, 2001.

*for* James C. Hayes, Mayor *Actual Mayor*

AYES:  
NAYS:  
ABSTAIN:

*Nancy L. DeLeon*  
Nancy L. DeLeon, City Clerk



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907)586-1325, Fax (907)-463-5480

February 21, 2001

Representative Joe Hayes  
 Alaska State House  
 State Capitol  
 Juneau, AK 99811

Dear Representative Hayes:

We are writing in support of HB 36, relating to the creation of enterprise zones. We believe passage of this legislation expands the list of tools available to the state and municipalities that could be used to facilitate urban renewal and encourage economic development in depressed areas of the state. As long as the formation of the enterprise zones remains a local option to be determined by the local community, we would encourage its passage.

We appreciate your taking a proactive role in offering an option to help communities find solutions to improve economic development. It is one of the top concerns of our membership.

If we can assist you further with this or any other municipal issue, please call on me.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Kevin Ritchie', with a long horizontal line extending to the right.

Kevin Ritchie  
 Executive Director

Cc: Land Use, Resources & Economic Development Committee

Headquarters:  
217 2nd Street, Suite 201  
Juneau, Alaska 99801  
(907) 586-2323 FAX 463-5515  
[ascjiuno@ptialaska.net](mailto:ascjiuno@ptialaska.net)



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Anchorage, Alaska 99509  
(907) 278-2722 FAX 278-6643  
[ascanch@ptialaska.net](mailto:ascanch@ptialaska.net)

**ALASKA**  
★ STATE ★  
**CHAMBER**  
OF COMMERCE

February 4, 2002

Representative Joe Hayes  
State Capitol, Room 422  
Juneau, Alaska 99801

Dear Representative Hayes:

We have reviewed CSHB 36 (CRA), your proposed legislation relating to the creation of enterprise zones, and we wish to convey our support for the legislation. It appears that the legislation could enhance the economic development opportunities in many Alaska communities.

Enterprise zones provide incentives for business development in impoverished areas. A statewide program could expand the authority for local communities to govern their own tax structure and to provide economic development incentives tailored to best suit the individual needs of their communities. A statewide program could facilitate access to federal economic development funds for communities through the Community Development Block Grant program. Enterprise zone designation could also allow communities to fulfill requirements needed for participation in the Empowerment Zones/Enterprise Communities federal program.

We appreciate your efforts in developing HB 36 as a means for fostering further economic development in Alaska.

Sincerely,

Pamela La Bolle  
President