

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 00/2

10692 SENATE STATE AFFAIRS

537

The Future of State Travel

This past year has been a real test for the travel agents in our state. The airlines have cut their commissions in half. What once was a thriving enterprise is now a business struggling to hang on by its fingernails. Even when commissions were 10 percent of airline ticket sales, the agencies were only making it with about a 1 percent profit margin. When the airlines cut commissions, agencies were forced to charge their customers service fees, or risk going out of business altogether. In our little town of Juneau, two years ago there were eight travel agencies, now only three remain (those who started charging the fees). The agencies that tried to hold out on charging fees, just to keep some of their corporate and State of Alaska business, have failed.

The State of Alaska has refused to pay agencies fees from the very beginning. With some agents not charging state travelers a service fee, it was easy for the state to get away with not paying service fees. To me this very practice goes against the state's willingness to support local businesses. Because the state's travel is such a large amount of business, agencies were willing to forgo charging the state travelers a fee, just to get their business. However, the agency not charging a service fee to the state has paid the ultimate price. Southeast Executavel, one of the agencies not charging state travelers service fees, closed their doors this past Friday, December 8th.

Just the mere mention of The State of Alaska and travel in the same sentence is enough to start an argument in some political circles. For many years the state has been trying to cut expenses, but travel seems to be the one area where the government is reluctant to make a change in the way they are currently doing business. At the moment, the State of Alaska has a travel policy listed in The State of Alaska Administrative Manual for its travelers to follow. The state currently has its travelers make their own arrangements with whomever or however they wish. Employees are simply trusted to make their arrangements in the best interest of the state. Kim Garner, Director of Finance at The Department of Administration, says that the state wants its travelers to have a choice when it comes to making travel arrangements (pers commun). However,

with the state unwilling to pay travel agency service fees, the travelers ultimately will not have a choice.

Another point Garnero makes in regard to contracting out the state's travel business is that right now the procurement code requires the state to competitively bid where competition exists, and choose the lowest cost provider of the services needed. This is being interpreted to mean that if an agency is not charging a fee, then they must be the lowest cost provider. But what guarantee is there? How does the state know it is not being overcharged for an airline ticket? Maybe a lower fare was available, but the agent was instructed to sell the state traveler the higher fare. Maybe there was a lower rate at the hotel, but the agent gave them the higher one because they knew it was within the allowed per diem. At this time some travel agencies are charging fees and some are not. In Juneau, for instance, there is one that does not charge fees and two that do charge service fees. Since some are not charging a fee, there is no need for the state to competitively bid out its travel. Therefore, travelers are forced by the state to use the agencies that do not charge service fees regardless of the level of service the agency is providing. The state wants its travelers to book whatever is in the best interest of the state, but how do travelers know if they are getting the best deal for the state? Why does the state leave it up to the traveler to ensure it is getting the best deal? Why is it assumed by the state that if it is not paying a fee for a service, it is getting the best deal?

If the State of Alaska contracted out its travel, it would ensure that its travelers received the best possible service, as well as saving the state time and money in the long run. Travel agencies currently can help businesses negotiate with vendors (car rental companies, hotels, and airlines), track travel expenses, provide very detailed reporting for accounting purposes, and save the travelers time when arranging travel. Some agents will even reconcile billings and travel claims. All of these services can be negotiated in a contract. Travel companies will usually try to negotiate as much service into a contract as a customer calls for.

Sharon Lowe, Administrative Manager for Public Health, Department of Health and Social Services, says that when she needs to travel, all she wants to do is call someone up, tell them where she is going, that she needs a car and a hotel, and have them fax the confirmation to her (pers commun). She does not want to spend time searching

for everything she needs on-line, nor does she wish to make a multitude of phone calls to all the separate vendors. She does not want her staff to waste their time searching for everything as though they were amateur travel arrangers. She needs a professional to handle her travel for her. If Sharon and her staff are doing their own travel arranging, as many state workers are, by the time they are finished researching everything, it probably would have cost the state less to go ahead and pay a travel agent a service fee to do the work for them. After speaking in depth with Sharon on the subject, as well as other coworkers, this seems to be the consensus. State travelers do not want to spend their time researching travel, they want to be able to call a professional and have them handle it and spend their time doing the work the state hired them to do.

A travel professional that is skilled at booking government reservations, which by the way is a specialty in the travel business, is a highly revered individual. They usually have many years of experience and know which vendors will give government travelers the best deals. When I called American Express Travel and spoke to Sanci Raynor (pers commun), a Government Travel Counselor, she was able to tell me right off the top of her head how much a government rate is at the Hilton in Anchorage, and at the Warwick in Seattle. She knows exactly who has the lowest government rate for a car rental, and what the best deal on an airline ticket is. The software that is available to a travel professional is different than what is available to the public. A travel agent has all the airline rates on one screen, enabling her/him to see just who has the lowest fares. The same goes for car rentals and hotels. If state travelers are using unskilled agents or the Internet to book their travel, perhaps they are not using all of the travel discounts they could be.

Because the Internet has become a whole new world for travelers, there is a myth that John Q. Public now has as much knowledge in regard to travel as a professional travel consultant does. The reality is that when John Q. Public is booking his own complicated reservations to Sydney, Australia on-line he will spend as much as four hours researching, then only to find he booked himself on a misconnect (he didn't give himself enough time to catch his connection). When he arrives in Sydney, trying to get through customs turns into a nightmare. There was no one on the Internet to advise him that he needed a passport and a visa to enter the country. Finally he makes it out of the airport only to find that he booked his hotel for the wrong day (he forgot about the

international date line) and now he has no where to stay. All of these things could have been avoided by using a professional.

Another thing you may not realize about booking airline tickets on-line that involve more than one carrier is you and your luggage may have problems making it to your destination. When you have one ticket that is Juneau to Seattle on Alaska Airlines and another ticket Seattle to Minneapolis on Northwest Airlines, Alaska Airlines is only obligated to protect you to Seattle if you get weathered in. In other words since your ticket on Alaska is only to Seattle, they do not have to rebook you on any Northwest flights. So technically Northwest could make you purchase a new ticket once you arrive in Seattle. Any seasoned traveler knows this is not something they want to have to deal with, especially if they are on business travel.

Something else the state may want to take a hard look at is negotiating with vendors. Travel agencies will negotiate on behalf of the state for special rates. Some travel companies, such as American Express Travel, already have negotiated rates in place for their clients. Shannon Wiley, Manager of the Juneau American Express Travel office, told me that her company has negotiated rates with car rental companies, hotels, and airlines world wide that any of their customers can use (pers commun). Up to this time, the state has not had any luck negotiating a special rate with any airline; however, with the buying power of a large travel company, it may have a better chance. For example, Green's Creek Mining Company has a 5 percent discount on most domestic carriers and an even larger discount on international carriers. That may not sound big when you are talking about one airline ticket, but when you are talking about thousands of tickets, it adds up.

With travel companies willing to track travel expenses and reconcile billings and travel claims, what state traveler or state accountant wouldn't want to contract it out? The money the state spends on these activities alone would most likely pay for the contract within the first month. The state has a very outdated accounting system. Corporate travel companies spend millions on keeping their systems up to date to keep up with their customers' needs. They have programmers and state-of-the-art computer equipment. The state would just have to ask for what they want in backroom services, and the travel company would most likely be able to accommodate them.

Contracting out travel is the way corporate America and even the Federal Government does their travel business. They have come to realize that outsourcing is the best option for such a complicated task. Companies that don't want to be in the travel business are leaving it up to the professionals. The State of Alaska needs to move into the twenty-first century. If it were to contract out its travel, it would save time for its accountants as well as its travelers. Outsourcing allows state workers the opportunity to cut down travel problems by using a professional agent and the state would have more negotiating power with vendors. All of these things together make good business sense and would save a great deal of money for the state in the long run.

Works Cited

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- Garnero, Kim. Personal Interview. December 4, 2000.
- Lowe, Sharon. Personal Interview. November 28, 2000.
- Raynor, Sancu. Personal Interview. November 29, 2000.
- Wiley, Shannon. Personal Interview. December 9, 2000

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- Administrative Manual. State Procurement Code, State of Alaska.
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Travel industry braces for new profit obstacles

The New York Times

NEW YORK—A little more than 20 years ago, Valerie Ann Wilson used family money to open a travel agency.

It was a gamble for Wilson, now 59, who had two young daughters and had not been working.

The bet more than paid off. The agency, Valerie Wilson Travel, has grown into a New York business with nearly 300 employees, including Wilson's two daughters, Jennifer Wilson-Buttigieg, 34, and Kimberly Wilson Wetty, 31. Last year, the agency had \$260 million in sales. And on Sept. 10, this was looking to be one of the agency's best years ever.

Then, on Sept. 11, two planes smashed into the World Trade Center, another hit the Pentagon and another crashed in a field in Pennsylvania. Matters were made worse by the looming recession and the November crash of Flight 587 in Belle Harbor, Queens.

Now some forecasters are warning that waves of failures, bankruptcies and layoffs are about to sweep through the industry.

"There were definitely signs even before the government said that it was a recession, but we thought we would be fairly insulated," said Wilson-Buttigieg, the executive vice president who has been managing the agency since her mother had a heart attack earlier this year. "I don't think anyone realized the ramifications of how Sept. 11 would affect corporate and leisure travel and how long it might be before we recover."

Wilson-Buttigieg said it would be hard to pick a business that has been hit harder by the events of the last few months. The American Society of Travel Agents estimates that its members lost \$1.36 billion just in the four weeks after the attack because of the drop in bookings for flights, hotel rooms, rental cars and cruises.

But even before Sept. 11, agencies had begun to feel the effect of large cuts made by corporations in their travel and entertainment budgets because of the slowing economy.

In addition, the airline industry cut commissions to travel agencies in August to \$20 per domestic flight, from \$50.

After the attack, Wilson decided against trying to recoup that lost revenue immediately at the cost of the consumer.

There may be more people flying again, but business at most Manhattan agencies, which may well be the hardest hit in the country, is down anywhere from 40 to 65 percent, according to the agencies. Hundreds of employees have been laid off at Manhattan agencies alone, agency officials said, and many smaller operations, with high fixed costs and little room for revenue growth, seem on the verge of going out of business.

"Other parts of the country are rebounding a lot faster than big cities, and I think other big cities are coming back quicker than New York," said Andy Pesky, the president of ProTravel-Zenith Group. The high-end company, is based on Madison Avenue and has offices in Milan, London, Beverly Hills, Calif., and elsewhere in the United States and Europe. "The phones are ringing," Pesky said, "but people are more likely to be calling to cancel a trip than make a reservation."

Sweeping changes in the airline business changed the lives of travel agents well before Sept. 11.

The most fundamental shift came in the mid-1990s, when the airline industry decided it was going to gradually reduce the commissions it paid travel agents for bringing in customers. Before the most recent reductions — to flat fees of \$50 per ticket, then \$20 per ticket — commissions on domestic flights had dropped to 8 percent from 10 percent in 1995.

Another major change in the industry has been a wave of mergers of small companies. The Internet also undercut agents by offering discounted tickets that could be bought in bulk.



✚ Sec. 39.20.140. Travel costs and travel outside the state.

(a) The Department of Administration may not pay an official or employee for per diem or transportation costs unless the travel is clearly necessary to benefit the state.

(b) The Department of Administration may not reimburse an official or employee or pay for more than the lowest tourist class fare for the most direct route unless

(1) tourist class accommodation is not available;

(2) waiting for tourist class accommodation would occasion a delay harmful to the state; or

(3) the Department of Administration finds that travel by tourist class accommodation is not in the best interest of the state, and authorizes other accommodation.

(c) When the Department of Administration authorizes more expensive travel under (b) (3) of this section, it shall file a justification for that authorization with the travel voucher. When fares other than tourist class are authorized under (b) of this section, the Department of Administration may not reimburse the official or employee or pay for more than the lowest first class fare available.

(d) Officials and employees are authorized to travel only the least number of days necessary to transact the business involved, to secure return passage, and to return.

(e) Every official and employee shall, unless otherwise authorized by law to travel outside the state, obtain prior approval for travel outside the state from the head of the official's or employee's department or from an immediate supervisor, or from the Department of Administration if the official or employee is not within a department or is not under the direct supervision of an official or supervisor. If an employee deviates materially from the travel authorized under this section, the employee must obtain approval for the deviation from the person who approved the travel before the Department of Administration may reimburse the employee for the travel.



HB

303

CBFF More Than \$3 Billion

AK FAIR TAX (amounts in thousands)		Base mult=	0.54										
Income (lower) ----->	0.000	10.000	20.000	30.000	50.000	75.000	100.000	150.000	200.000	500.000	1000.000		
Average AGI ----->	4.038	14.851	24.791	39.366	61.393	85.964	118.484	170.766	283.772	675.418	1982.316		
Income (upper) ---->	10.000	20.000	30.000	50.000	75.000	100.000	150.000	200.000	500.000	1000.000	over		
Base bracket rate	1.00%	1.50%	2.00%	2.00%	1.30%	1.30%	1.25%	1.10%	0.30%	0.05%	0.04%		
No. of returns/bracket	92,596	47,406	38,368	54,758	43,651	24,213	16,249	3,925	3,356	486	196		
Eff rate (bracket max)	0.54%	0.68%	0.81%	0.92%	0.85%	0.81%	0.77%	0.72%	0.39%	0.21%			
Bracket rate	0.54%	0.81%	1.08%	1.08%	0.70%	0.70%	0.68%	0.59%	0.16%	0.03%	0.02%		
Bracket amount max	0.054	0.081	0.108	0.216	0.176	0.176	0.338	0.297	0.486	0.135			
Cum amount max	0.054	0.135	0.243	0.459	0.635	0.810	1.148	1.445	1.931	2.066			
Cum amount ave AGI	0.022	0.093	0.187	0.344	0.539	0.711	0.935	1.271	1.580	1.978	2.278		
Eff rate @ ave AGI	0.54%	0.63%	0.75%	0.87%	0.88%	0.83%	0.79%	0.74%	0.56%	0.29%	0.11%		
Eff. sales rate (303)	2.24%	2.08%	1.90%	1.73%	1.58%	1.53%	1.47%	1.38%	1.03%	0.48%	0.24%	Total Rev	
Bracket revenue	2019	4423	7165	18845	23527	17227	15189	4988	5303	961	446	\$100,093	
NOTES:												Alaskans Pay	
Income (lower) ----->	Lower limit of income bracket										Sales	\$93,087	
Average AGI ----->	Average Adjusted Gross Income (AGI) within bracket										Fair	\$75,070	
Income (upper) ---->	Upper limit of income bracket										Savings	\$18,017	
Base bracket rate	Base tax rate on income within bracket limits (base rate X base mult factor = bracket rate)												
No. of returns/bracket	Total tax returns with AGI falling within bracket												
Eff rate (bracket max)	Effective tax rate for a taxpayer whose AGI is at the upper limit of the bracket												
Bracket rate	Tax rate for all income within bracket (note that all taxpayers with income in a bracket pay the same rate for the income in that bracket)												
Bracket amount max	Maximum amount of tax for income within bracket												
Cum amount max	Total tax owed if AGI = upper limit of bracket												
Cum amount ave AGI	Total tax owed if AGI = average for bracket												
Eff rate @ ave AGI	Effective tax rate for a taxpayer whose AGI is average for the bracket												
Eff. sales rate (303)	Average sales tax paid expressed as a percentage of AGI (3% sales tax from HB 303)												
Bracket revenue	Total revenue from returns with AGI within bracket												
Total Rev	Total revenue from all brackets											4/22/2002	

CBRF Between \$2 Billion and \$3 Billion

AK FAIR TAX (amounts in thousands)		Base mult=0.945										
Income (lower) ----->	0.000	10.000	20.000	30.000	50.000	75.000	100.000	150.000	200.000	500.000	1000.000	
Average AGI ----->	4.038	14.851	24.791	39.366	61.393	85.964	118.484	170.766	283.772	675.418	1982.316	
Income (upper) ----->	10.000	20.000	30.000	50.000	75.000	100.000	150.000	200.000	500.000	1000.000	over	
Base bracket rate	1.00%	1.50%	2.00%	2.00%	1.30%	1.30%	1.25%	1.10%	0.30%	0.05%	0.04%	
No. of returns/bracket	92,596	47,406	38,368	54,758	43,651	24,213	16,249	3,925	3,356	486	196	
Eff rate (bracket max)	0.95%	1.18%	1.42%	1.61%	1.48%	1.42%	1.34%	1.26%	0.68%	0.36%		
Bracket rate	0.95%	1.42%	1.89%	1.89%	1.23%	1.23%	1.18%	1.04%	0.28%	0.05%	0.04%	
Bracket amount max	0.095	0.142	0.189	0.378	0.307	0.307	0.591	0.520	0.851	0.236		
Cum amount max	0.095	0.236	0.425	0.803	1.110	1.418	2.008	2.528	3.378	3.615		
Cum amount ave AGI	0.038	0.163	0.327	0.602	0.943	1.245	1.636	2.224	2.765	3.461	3.986	
Eff rate @ ave AGI	0.95%	1.10%	1.32%	1.53%	1.54%	1.45%	1.38%	1.30%	0.97%	0.51%	0.20%	
Eff. sales rate (303)	2.24%	2.08%	1.90%	1.73%	1.58%	1.53%	1.47%	1.38%	1.03%	0.48%	0.24%	Total Rev
Bracket revenue	3533	7740	12539	32979	41172	30147	26581	8729	9281	1682	781	\$175,164
NOTES:												Alaskans Pay
Income (lower) ----->	Lower limit of income bracket										Sales	\$162,902
Average AGI ----->	Average Adjusted Gross Income (AGI) within bracket										Fair	\$131,373
Income (upper) ----->	Upper limit of income bracket										Savings	\$31,529
Base bracket rate	Base tax rate on income within bracket limits (base rate X base mult factor = bracket rate)											
No. of returns/bracket	Total tax returns with AGI falling within bracket											
Eff rate (bracket max)	Effective tax rate for a taxpayer whose AGI is at the upper limit of the bracket											
Bracket rate	Tax rate for all income within bracket (note that all taxpayers with income in a bracket pay the same rate for the income in that bracket)											
Bracket amount max	Maximum amount of tax for income within bracket											
Cum amount max	Total tax owed if AGI = upper limit of bracket											
Cum amount ave AGI	Total tax owed if AGI = average for bracket											
Eff rate @ ave AGI	Effective tax rate for a taxpayer whose AGI is average for the bracket											
Eff. sales rate (303)	Average sales tax paid expressed as a percentage of AGI (3% sales tax from HB 303)											
Bracket revenue	Total revenue from returns with AGI within bracket											
Total Rev	Total revenue from all brackets											4/22/2002

AK FAIR TAX (amounts in thousands)		Base mult- 1.35										
Income (lower) ----->	0.000	10.000	20.000	30.000	50.000	75.000	100.000	150.000	200.000	500.000	1000.000	
Average AGI ----->	4.038	14.851	24.791	39.366	61.393	85.964	118.484	170.766	283.772	675.418	1982.316	
Income (upper) ---->	10.000	20.000	30.000	50.000	75.000	100.000	150.000	200.000	500.000	1000.000	over	
Base bracket rate	1.00%	1.50%	2.00%	2.00%	1.30%	1.30%	1.25%	1.10%	0.30%	0.05%	0.04%	
No. of returns/bracket	92,596	47,406	38,368	54,758	43,651	24,213	16,249	3,925	3,356	486	196	
Eff rate (bracket max)	1.35%	1.69%	2.03%	2.30%	2.12%	2.03%	1.91%	1.81%	0.97%	0.52%		
Bracket rate	1.35%	2.03%	2.70%	2.70%	1.76%	1.76%	1.69%	1.49%	0.41%	0.07%	0.05%	
Bracket amount max	0.135	0.203	0.270	0.540	0.439	0.439	0.844	0.743	1.215	0.338		
Cum amount max	0.135	0.338	0.608	1.148	1.586	2.025	2.869	3.611	4.826	5.164		
Cum amount ave AGI	0.055	0.233	0.467	0.860	1.347	1.779	2.337	3.177	3.951	4.945	5.694	
Eff rate @ ave AGI	1.35%	1.57%	1.88%	2.19%	2.19%	2.07%	1.97%	1.86%	1.39%	0.73%	0.29%	
Eff. sales rate (303)	2.24%	2.08%	1.90%	1.73%	1.58%	1.53%	1.47%	1.38%	1.03%	0.48%	0.24%	Total Rev
Bracket revenue	5048	11057	17912	47113	58817	43067	37973	12470	13258	2403	1116	\$250,234
NOTES:												Alaskans Pay
Income (lower) ----->	Lower limit of income bracket										Sales	\$232,717
Average AGI ----->	Average Adjusted Gross Income (AGI) within bracket										Fair	\$187,675
Income (upper) ---->	Upper limit of income bracket										Savings	\$45,042
Base bracket rate	Base tax rate on income within bracket limits (base rate X base mult factor = bracket rate)											
No. of returns/bracket	Total tax returns with AGI falling within bracket											
Eff rate (bracket max)	Effective tax rate for a taxpayer whose AGI is at the upper limit of the bracket											
Bracket rate	Tax rate for all income within bracket (note that all taxpayers with income in a bracket pay the same rate for the income in that bracket)											
Bracket amount max	Maximum amount of tax for income within bracket											
Cum amount max	Total tax owed if AGI = upper limit of bracket											
Cum amount ave AGI	Total tax owed if AGI = average for bracket											
Eff rate @ ave AGI	Effective tax rate for a taxpayer whose AGI is average for the bracket											
Eff. sales rate (303)	Average sales tax paid expressed as a percentage of AGI (3% sales tax from HB 303)											
Bracket revenue	Total revenue from returns with AGI within bracket											
Total Rev	Total revenue from all brackets											4/22/2002

CPRF Less Than \$2 Billion

How the Alaska Fair Tax Works

The Alaska Fair Tax is a broad-based revenue measure to help fix the fiscal gap and to preserve healthy Permanent Fund dividends far into the future. It combines the best features of sales and income taxes and, as part of an overall fiscal plan, would help protect the Permanent Fund and Budget Reserve Fund for another generation of Alaskans.

Like a sales tax . . .

everyone pays something; and
the amount is similar to what individuals would pay under a sales tax.

Like an income tax . . .

it's deductible on many federal tax returns (you can't deduct sales taxes);
it doesn't interfere with existing sales taxes in 97 communities; and
workers who earn money in Alaska but live Outside would pay.

Most tax returns will be simple enough to fit on a single piece of paper and only take a minute to fill out. You'll just copy Line 33 from your federal tax return (adjusted gross income) and then look up the amount on the state tax table. Adjusted gross income is all income minus IRA contributions, alimony, student loan interest and a few other items. The tax would be withheld from wages.

The amount the Alaska Fair Tax would raise statewide would depend on how much is in the Constitutional Budget Reserve. If state revenues improve through higher oil prices or new development such as the natural gas pipeline and refill the Budget Reserve Fund, the Alaska Fair Tax rate would go down so the state doesn't collect any more money than is needed for essential public services and an adequate reserve.

Here's how much you would pay if the tax were set to raise \$250 million a year:

If your adjusted gross income is:	Your tax* would be:	Your effective tax rate would be:
\$4,000	\$55	1.35%
\$25,000	\$467	1.88%
\$40,000	\$860	2.19%
\$65,000	\$1,412	2.17%
\$100,000	\$2,025	2.02%
\$150,000	\$2,869	1.91%
\$285,000	\$3,951	1.39%
\$675,000	\$4,965	0.73%

*If you itemize on your federal taxes, this amount would be deductible.

The Alaska Fair Tax calculates income taxes to approximately equal the amount individuals would pay under a moderate sales tax. But, unlike a sales tax, the income tax would be deductible on the federal tax returns for many Alaskans. Unlike a sales tax, the variable rate schedule of the Alaska Fair Tax would not impose an unduly heavy burden on low-income Alaskans. And, unlike a traditional income tax, it would not penalize the success of higher-income Alaskans.

Representative John Davies, 4/27/02

How it works

The Alaska Fair Tax

Representative John Davies

April 22, 2002

The Alaska Fair Tax is based on adjusted gross income (AGI) and designed to raise from individual taxpayers approximately what they would have paid if a sales tax had been enacted. It is a "sales tax" that is paid once a year, does not impact municipal sales taxes and which can be deducted from federal taxable income. The Alaska Fair Tax, therefore, is least disruptive of the economy because it does not upset the local balance of taxation and causes the lowest loss of jobs. It is fair because everyone pays it, including those who live Outside, everyone pays the same tax on each bracket of income, success is not punished, and some allowance is made for those in the lowest income brackets. The Alaska Fair Tax reflects the responsibility that everyone has to help support our system of government, regardless of income level or spending habits. Coupled with fair use of half the earnings from the Permanent Fund, it can substantially fill the fiscal gap. The Alaska Fair Tax is offered unabashedly as a compromise to help break the stalemate in which we find the debate on how to balance the budget.

FISCAL NOTE

**STATE OF ALASKA
2002 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: 2d CSHB303(RLS)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: Individual Income Tax BRU: Revenue Operations
 Component: Tax Division
 Sponsor: Representative Whitaker
 Requester: House Component Number: 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	2,188.1	3,743.0	4,356.7	4,331.2	4,331.2	4,331.2
Travel	81.5	57.5	55.4	44.0	44.0	44.0
Contractual	1,620.4	1,519.4	1,549.8	1,599.7	1,599.7	1,599.7
Supplies	49.0	77.4	91.5	92.0	92.0	92.0
Equipment	426.0	592.0	96.0			
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	4,365.0	5,980.3	6,149.4	6,066.9	6,066.9	6,066.9

CAPITAL EXPENDITURES	4,608.5	1,302.5	421.2			
-----------------------------	----------------	----------------	--------------	--	--	--

CHANGE IN REVENUES (Increase)	110,000.0	250,000.0	250,000.0	250,000.0	250,000.0	250,000.0
--------------------------------------	------------------	------------------	------------------	------------------	------------------	------------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	8,973.5	7,282.8	6,570.6	6,066.9	6,066.9	6,066.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	8,973.5	7,282.8	6,570.6	6,066.9	6,066.9	6,066.9

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 2002 budget proposal:

POSITIONS

Full-time	42	62	74	74	74	74
Part-time	5	5	5			
Temporary		54	54	54	54	54

ANALYSIS: (Attach a separate page if necessary)

See attached page

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
 Division: Department of Revenue Date/Time 5/3/2002 2 p.m.
 Approved by: Larry Persily, Deputy Commissioner Date 05/03/2002
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

2d CSHB303(RLS)
Department of Revenue

OVERVIEW

This legislation would put into statute a personal income tax, which Alaskans last paid in 1979. The tax structure in this legislation, however, is one-third the level of the 1979 tax. If imposed today, the 1979 tax would produce about \$750 million a year in revenue. This legislation's tax rates will produce an estimated \$250 million a year in revenue.

This legislation would base the new income tax on an individual's Adjusted Gross Income, Line 33 from the 2001 federal tax return. Adjusted Gross Income is all income minus certain items, including IRA contributions, alimony and student loan interest.

The legislation includes two different "triggers" that would set into place a lower tax rate schedule for any year in which the Constitutional Budget Reserve Fund exceeds \$2 billion or \$3 billion as of September 30 of the previous year.

REVENUE ESTIMATE

Based on the starting tax rate schedule specified in the legislation, the Department of Revenue estimates the personal income tax would generate about \$250 million in revenue for its first full fiscal year (Fiscal 2004).

Because the tax would start on Jan. 1, 2003, in the middle of Fiscal 2003, and because the state would not receive by June 30, 2003 all of the taxes withheld from wages and all of the estimated tax payments due from self-employed workers, we estimate the legislation will produce about \$110 million in revenue for the last half of Fiscal 2003.

The department's revenue estimates do not include any of the following variables: (1) federal tax changes that could affect the definition of Adjusted Gross Income, (2) any growth of real income or population in Alaska, (3) tax avoidance or evasion, and (4) changes in the structure of the Alaska economy.

COSTS OF OPERATION

The department based its estimate for setting up and running a personal income tax on the following assumptions:

- A program capable of providing quality service to the public, with timely response to phone calls, emails and letters; prompt processing of returns and refunds; adequate staff resources devoted to helping employers with the withholding requirements; and a comprehensive web-based system for distributing forms and information.
- A data processing center and three other offices to serve Alaska's population centers.
- Allowing electronic payments of taxes and electronic filing of tax returns.
- Electronic imaging of tax returns to reduce paperwork handling and storage needs.

**2d CSHB303(RLS)
Department of Revenue**

The fiscal note estimate also assumes that either or both the Permanent Fund Dividend Division in Juneau and the Alcoholic Beverage Control Board in Anchorage may need to be relocated to other offices to accommodate the new personal income tax section within the department's Tax Division. These moves would allow the income tax section to be located in and use the premises, equipment and staff of the Tax Division, which would be a more efficient use of staff rather than locate the two sections in separate offices.

The one-time cost of relocating the Dividend Division and the ABC Board is estimated at approximately \$325,000, which is reflected in the Fiscal Year 2003 capital budget request for this legislation.

Any increase in annual operating costs for the Dividend Division and/or the ABC Board would depend on the lease costs for new office space, and would be addressed, if necessary, in a supplemental Fiscal 2003 budget request next session.

HB

305

22-LS1209\O
Ford
4/30/02

SENATE CS FOR CS FOR HOUSE BILL NO. 305()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MURKOWSKI, HARRIS, MULDER, JAMES, Hudson, Green, Guess,
Dyson, Foster

A BILL

FOR AN ACT ENTITLED

1 "An Act prohibiting certain state employment, a student loan, or a permanent fund
2 dividend for a person who fails to register for the military selective service; and
3 providing for an effective date."

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

5 * Section 1. AS 14.43.125(a) is amended to read:

6 (a) A person is eligible for a loan if the person

7 (1) is

8 (A) enrolled as a full-time student in a career education,
9 associate, baccalaureate, or graduate degree program;

10 (B) enrolled as a half-time student in a career education,
11 associate, baccalaureate, or graduate degree program

12 (i) in the state; or

13 (ii) out of the state and is physically present in this state
14 while attending that program; or

1 (C) a graduate of a high school or the equivalent, or scheduled
2 for graduation from a high school within six months, who, at the time of loan
3 disbursement, will be enrolled in compliance with (A) or (B) of this paragraph;

4 (2) is not delinquent and has never been in default on a loan previously
5 awarded by the commission;

6 (3) is a resident of the state at the time of application for the loan; for
7 purposes of this section, a person qualifies as a resident of the state if at the time of
8 application for the loan the person

9 (A) has been physically present in the state for at least one year
10 immediately before the time of application for the loan with the intent to
11 remain indefinitely;

12 (B) is dependent on a parent or guardian for care, the parent or
13 guardian has been present in the state for at least one year immediately before
14 the time of application for the loan with the intent to remain indefinitely, and
15 the person has been present in the state for at least one year of the immediately
16 preceding five years except that the commission may by a two-thirds vote,
17 acting upon a written appeal by the person, grant an exemption to the
18 requirement that the person has been present in the state for one year of the
19 immediately preceding five years;

20 (C) has been physically present in the state for at least one year
21 immediately before the applicant was absent from the state, the person intends
22 to return permanently to the state, and the absence is due solely to

23 (i) serving an initial period of up to three years on
24 active duty as a member of the armed forces of the United States;

25 (ii) serving for up to three years as a full-time volunteer
26 under the Peace Corps Act;

27 (iii) serving for up to three years as a full-time volunteer
28 under the Domestic Volunteer Service Act of 1973;

29 (iv) required medical care for the applicant or the
30 applicant's immediate family;

31 (v) being a person who otherwise qualifies as a resident

1 and is accompanying a spouse who qualifies as a resident under (i) -
2 (iv) of this paragraph;

3 (vi) an absence allowed under (D)(i) - (iv) of this
4 paragraph; or

5 (D) is a dependent of a parent or guardian who has been
6 physically present in the state for at least one year immediately before the
7 parent or guardian was absent from the state, the parent or guardian intends to
8 return permanently to the state, and the absence is due solely to

9 (i) participating in a foreign exchange student program
10 recognized by the commission;

11 (ii) attending a school as a full-time student;

12 (iii) full-time employment by the state;

13 (iv) being a member of or employed full-time by the
14 state's congressional delegation;

15 (v) being a person who otherwise qualifies as a resident
16 and is accompanying a spouse who qualifies as a resident under (i) -
17 (iv) of this paragraph;

18 (4) does not have a past due child support obligation established by
19 court order or by the child support enforcement division under AS 25.27.160 -
20 25.27.220 at the time of application or loan disbursement;

21 (5) has not, within the previous five years, had a loan discharged or
22 written off by the commission for any reason;

23 (6) does not have a status, at the time of the application for a loan or
24 disbursement of loan funds, that would prevent the person from repaying the loan as it
25 becomes due;

26 (7) has not within the previous seven years defaulted on another loan
27 made to the person by a lending entity unless the person can show good faith efforts to
28 repay the loan and extraordinary circumstances that led to the default; [AND]

29 (8) does not have a credit history, at the time of application for a loan,
30 that demonstrates chronic inability or unwillingness to pay an extension of credit or
31 loan as it becomes due; and

1 (9) has complied with the military selective service registration
2 requirements imposed under 50 U.S.C. App. 453 (Military Selective Service Act),
3 if those requirements were applicable to the person.

4 * Sec. 2. AS 14.43.172(c) is amended to read:

5 (c) In addition to the provisions of (a) of this section, a borrower is eligible for
6 a loan under AS 14.43.170 - 14.43.175 if the borrower

7 (1) is not delinquent on and has never been in default on a loan
8 previously awarded by the commission;

9 (2) at the time of application or loan disbursement does not have a past
10 due child support obligation established by court order or by the child support
11 enforcement division under AS 25.27.160 - 25.27.220;

12 (3) has not, within the previous five years, had a loan discharged or
13 written off by the commission for any reason;

14 (4) does not have a status, at the time of application for a loan or
15 disbursement of loan money, that would prevent the borrower from repaying the loan
16 as it becomes due;

17 (5) has not within the previous five years defaulted on another loan
18 made to the borrower by a lending entity unless the borrower can show good faith
19 efforts to repay the loan and extraordinary circumstances that led to the default;
20 [AND]

21 (6) does not have a credit history, at the time of application for a loan,
22 that demonstrates chronic inability or unwillingness to pay an extension of credit or
23 loan as it becomes due; and

24 (7) has complied with the military selective service registration
25 requirements imposed under 50 U.S.C App. 453 (Military Selective Service Act),
26 if those requirements were applicable to the person.

27 * Sec. 3. AS 14.43.750(a) is amended to read:

28 (a) A person may apply for and obtain a family education loan on behalf of a
29 family member if

30 (1) the borrower

31 (A) is a resident of the state at the time of application for the

1 loan; for purposes of this paragraph, a borrower qualifies as a resident of the
2 state if the borrower has been physically present in the state for at least one
3 year immediately before the time of application for the loan with the intent to
4 remain indefinitely or, if not physically present in the state, the borrower has
5 not declared or established residency in another state, intends to return
6 permanently to the state, and the absence meets the requirements imposed
7 under AS 14.43.125(a)(3)(C)(i) - (vi);

8 (B) satisfies the requirements of AS 14.43.125(a)(6) - (9)
9 [AS 14.43.125(a)(6) - (8)];

10 (2) the family member

11 (A) is enrolled as a full-time student in a career education,
12 associate, baccalaureate, or graduate degree program; or

13 (B) is a graduate of a high school or the equivalent, or
14 scheduled for graduation from a high school within six months, who, at the
15 time of loan disbursement, will be enrolled in compliance with (A) of this
16 paragraph; and

17 (3) neither the borrower nor the family member

18 (A) is delinquent or has ever been in default on a loan
19 previously awarded by the commission;

20 (B) is past due on a child support obligation established by
21 court order or by the child support enforcement division under AS 25.27.160 -
22 25.27.220 at the time of application or loan disbursement;

23 (C) has, within the previous five years, had a loan discharged
24 or written off by the commission for any reason.

25 * Sec. 4. AS 39.25.160 is amended by adding a new subsection to read:

26 (k) A person may not be employed in the classified, partially exempt, or
27 exempt service unless the person has complied with the military selective service
28 registration requirements imposed under 50 U.S.C. App. 453 (Military Selective
29 Service Act), if those requirements were applicable to the person. Notwithstanding
30 AS 39.25.110, this subsection applies to employees in the exempt service except

31 (1) a justice, a judge, or a magistrate;

- 1 (2) the governor or the lieutenant governor;
2 (3) a member of the legislature;
3 (4) a person appointed under art. III, sec. 25, or art. III, sec. 26,
4 Constitution of the State of Alaska.

5 * Sec. 5. AS 43.23.005(a) is amended to read:

6 (a) An individual is eligible to receive one permanent fund dividend each year
7 in an amount to be determined under AS 43.23.025 if the individual

- 8 (1) applies to the department;
9 (2) is a state resident on the date of application;
10 (3) was a state resident during the entire qualifying year;
11 (4) has been physically present in the state for at least 72 consecutive
12 hours at some time during the prior two years before the current dividend year;
13 (5) is

- 14 (A) a citizen of the United States;
15 (B) an alien lawfully admitted for permanent residence in the
16 United States;
17 (C) an alien with refugee status under federal law; or
18 (D) an alien that has been granted asylum under federal law;

19 [AND]

20 (6) was, at all times during the qualifying year, physically present in
21 the state or, if absent, was absent only as allowed in AS 43.23.008; and

22 (7) was in compliance during the qualifying year with the military
23 selective service registration requirements imposed under 50 U.S.C. App. 453
24 (Military Selective Service Act), if those requirements were applicable to the
25 individual.

26 * Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to
27 read:

28 APPLICABILITY. This Act applies to a person who seeks employment with the
29 state, applies for an education loan, supplemental education loan, or family education loan
30 under AS 14.43, or applies for a permanent fund dividend under AS 43.23 on or after the
31 effective date of the appropriate corresponding section of this Act.

1 * Sec. 7. Sections 1 - 3 and 6 of this Act take effect July 1, 2003.

2 * Sec. 8. Except as provided in sec. 7 of this Act, this Act takes effect January 1, 2004.

ALASKA STATE LEGISLATURE

Sen. Gary Wilken, Co-Chair
Sen. Bettye Davis
Sen. Loren Leman
Sen. Randy Phillips
Sen. Alan Austerman, Alternate

Rep. Eldon Mulder, Co-Chair
Rep. Jeannette James
Rep. John Harris
Rep. Reggie Joule
Rep. Lisa Murkowski
Rep. Bill Hudson, Alternate

Public Members: Jake Lestenkof • John Hoyt • George Vakalis • Dean Owen • Frank Love • Charles Wallace

JOINT ARMED SERVICES COMMITTEE

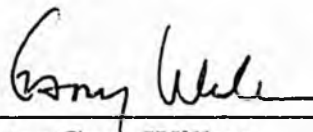
January 17, 2002

Representative Lisa Murkowski
Special Committee on Military and Veterans' Affairs
Alaska State Legislature
Juneau, Alaska 99801

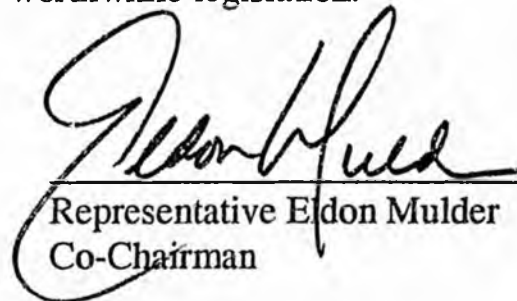
Dear Representative Murkowski:

At the November 15, 2001 meeting of the Joint Armed Services Committee, we received an informative briefing from Charles Smith, State Director of the Selective Service System for Alaska.

As you are aware, at that meeting Senator Randy Phillips moved that our committee request legislation be put forward requiring receipt of state benefits including the Permanent Fund be tied to Selective Service registration. Following lengthy discussion, the motion carried unanimously. We are pleased to lend our support to this worthwhile legislation.



Senator Gary Wilken
Co-Chairman



Representative Eldon Mulder
Co-Chairman

- A-1 -

RECEIVING STATE BENEFITS SHOULD CHALLENGE
 SOUTH ARMED SERVICES COMMITTEE, INDIVIDUALS
 SHOULD, AS DISCUSSED WITH THE LEGISLATIVE
 FROM BECOMING U.S. CITIZENS.
 FAILURE TO REGISTER ALSO PROVIDES AGENCIES
 EMPLOYMENT INCLUDING THE POSTAL SERVICE;
 LOSS, FEDERAL GOVERNMENT ALSO WITH FEDERAL
 VARIOUS BENEFITS TO THEM, SUCH AS, STUDENT
 YOUTH MEET FAILURE TO REGISTER DEALIES
 PERSON AND UP TO A \$250,000.00 FINE; ALSO,
 CARMS, PUNISHABLE BY UP TO 5 YEARS IN
 REGISTER BEHIND AGE 26 IS A FEDERAL
 AGE OF 18 THROUGH 25; FAILURE TO
 REQUIRED OF ALL YOU'VE BEEN REGISTERED THE
 FIRST, SELECTIVE SERVICE REGISTRATION IS
 SERVICE LEGISLATION:

THERE ARE TWO WAYS TO VIEW SELECTIVE
 BILL CONCERNING SELECTIVE SERVICE REGISTRATION.
 THIS LETTER IS INTENDED TO SUPPORT DE YOUNG

Dear Representative MURKOWSKI:
 ALASKA STATE LEGISLATURE
 REPRESENTATIVE LISA MURKOWSKI
 JESSAM, ALASKA
 ALASKA STATE HONORABLES
 SELECTIVE SERVICE SYSTEM

- A-2 -

State Director

Charles A. Smith

~ ~ ~

Very Truly Yours

Do Not Hesitate To Call Ed Mc.

If I Can Be Of Any Assistance, Please

To This Most Important Matter.

I Sincerely Appreciate Your Attention

From The Loss Of Federal Benefits.

To The Law, As Well As To Protect Them.

To: The Senate
 From: LTC Victor Van Horn,
 SSS Detachment Commander- Alaska Army National Guard
 Educator for the Sitka School Borough
 Re: SSS Legislation

I am in full support of the legislation for the Selective Service System Bill. As an educator, I know what happens to students that don't register for the Selective Service. There are many reasons to help students register for the Selective Service: Federal financial aid, Federal employment (includes Post Office), job training benefits, and some State jobs. They will violate the Federal law- even though the SSS hasn't prosecuted anyone lately does not mean we don't need the legislation. But by helping a student to registrar, we will keep him from violating Federal law and subject to \$250,000 maximum fine, a prison term of up to five years, or a combination of both. It is hard enough to make it without putting another burden on these young kids. Our jobs as citizens, educators, and legislators are to educate them to get registered with the SSS and help make sure they don't loose valuable benefits.

As the SSS Detachment Commander, I know we are limited to three National Guard officers to make sure all students registrar. These officers work for the SSS while on National Guard duty (part time) - which means we don't have enough time to make sure registration is done throughout the entire state. We have many other tasks to complete in order to be ready when we do incorporate a draft. It is not an easy task to get registrars in all the high schools in Alaska- right now we are at 90% of the high schools have a registrar on their staff. We need 100% high school to have registrars in order to be effective, along with the SSS legislation. Each person that does not registrar, Alaska looses many potential dollars for job training and Federal employment.

Registration with the SSS is not only a law but also a duty that every citizen should not take lightly. The protection of the US and the protection of our rights are important to all of us- because we must keep this country strong. Please help us make sure everyone does his part by registering with the Selective Service. We need to make sure all individuals that must registrar do registers with the SSS in order to make sure the draft is fair and equitable for everyone.

Thank you for considering the SSS bill as a very important legislation for the State of Alaska.


 LTC Victor Van Horn

- B - 1 -

SELECTIVE SERVICE SYSTEM
REPORT NO. REGSTATS-4

DATE PREPARED 06/27/2001

REGISTRATION STATISTICS REPORTING SYSTEM

REGISTRATION STATISTICS
FOR MEDIA RELEASE
As Of
April 30, 2001

STATE	CURRENT YOB 1983	PRIOR YOB 1982	YOB 1981	YOB 1980	YOB 1979	YOB 1978	YOB 1977	YOB 1976	TOTAL ALL YOB
AK	1,113	4,680	4,929	4,818	4,599	4,412	4,251	4,061	32,863
AZ	5,188	24,008	28,404	29,828	28,222	26,716	26,548	26,246	195,160
CA	35,185	171,761	202,806	207,281	200,782	192,782	194,120	194,862	1399579
CO	4,587	18,223	25,971	27,022	25,721	24,107	23,947	23,195	172,773
GU	143	863	1,113	1,186	1,189	1,205	1,101	1,099	7,899
HI	1,271	5,566	6,384	6,889	6,970	6,727	6,474	6,276	46,557
IA	5,158	20,009	21,364	22,353	21,818	20,790	20,841	19,657	151,990
ID	2,458	9,501	10,224	10,661	10,357	9,799	9,971	9,391	72,362
KS	4,415	17,466	19,279	19,485	18,839	17,474	17,680	17,100	131,738
MN	7,825	32,453	35,599	35,631	34,643	32,881	31,929	30,477	241,438
MO	8,380	32,905	36,309	38,169	37,432	35,655	35,613	33,775	258,238
MP	28	122	174	219	217	228	246	236	1,470
MT	1,556	6,544	7,083	7,149	7,076	6,824	6,881	6,500	49,613
ND	1,558	5,099	5,217	5,328	5,168	4,902	5,070	4,745	37,087
NE	3,186	11,995	12,781	13,376	12,513	12,015	12,070	11,530	89,474
NM	2,600	11,309	12,791	13,200	12,504	12,484	12,339	12,071	89,298
NV	1,892	8,727	10,062	10,257	9,873	9,163	8,900	8,592	67,466
OK	4,234	22,937	24,978	25,916	25,254	23,906	24,348	23,944	175,517
OR	4,614	19,946	22,824	22,806	22,126	21,273	21,304	20,515	155,408
SD	1,561	5,756	6,169	6,360	6,063	5,693	5,689	5,567	42,858
UT	3,614	17,303	19,467	20,525	20,284	19,314	19,588	18,958	139,053
WA	7,873	34,374	38,818	39,641	38,494	36,144	36,082	35,150	266,576
WY	1,091	3,948	4,183	4,294	4,501	4,109	4,199	3,814	30,139
TOTALS	109,530	485,495	556,929	572,394	554,645	528,603	529,191	517,769	3854556

NATIONWIDE STATISTICS		ACTUAL REGISTRATIONS	ESTIMATED COMPLIANCE RATES
YOB 1983		360,443	75.9%
YOB 1982		1,542,420	73.6%
Draft Eligible (76-81)		10,405,728	90.3%
All YOB (76-83)		12,388,591	87.4%

SELECTIVE SERVICE SYSTEM
 REPORT NO. REGSTATS-253
 REGION: 3
 STATE: ALASKA

ZIP CODE DISTRIBUTION SUMMARY REPORT
 As of Feb. 29, 2001

PAGE: 1
 DATE PREPARED 05/08/2001

COUNTY	ESTIMATED POPULATION	ACTUAL REGISTRATIONS	ESTIMATED COMP RATE	YOB 1976 - 1983 (ALL YEARS OF BIRTH)		YOB 1983 (CURRENT YOB)		ACTUAL # OF NON REGISTRATIONS	MCN REGIS DATE
				ACTUAL #	MCN REGIS RATE	ESTIMATED POPULATION	ACTUAL REGISTRATIONS		
ALASKANS EAST	28	0	0.00	0	0.00	2	0	0	0.00
ALASKANS WEST	601	181	10.12	30	16.57	6	4	0	0.00
ANCHORAGE	12,154	10,285	84.14	1,100	18.70	188	156	0	0.00
BARTEL	760	186	90.26	59	8.60	12	12	0	0.00
BARTOL RAY	538	662	100.00	12	1.81	1	2	0	0.00
DILLINGHAM	245	180	76.73	12	6.38	4	6	0	0.00
PAIRBANKS NORTH	4,769	2,399	62.89	227	7.57	70	59	0	0.00
PAIRBANKS SOUTH	117	133	100.00	8	6.02	2	5	0	0.00
UNALASKA	1,283	1,242	96.80	120	9.66	19	20	0	0.00
KENAI PENINSULA	2,189	2,558	100.00	152	5.94	34	41	0	0.00
RETCHEAN DATE	644	723	100.00	48	6.73	8	8	0	0.00
NOODIAK ISLAND	702	612	87.18	0	0.00	10	16	0	0.00
LAKE AND PENIN	103	123	100.00	0	0.00	1	4	0	0.00
MATAMOROKA-SOUTH	2,314	2,297	99.27	0	0.00	36	71	0	0.00
NOME	498	421	84.54	0	0.00	8	9	0	0.00
NORTH SLOPE	285	274	96.14	0	0.00	4	7	0	0.00
NORTHERN ALCT	0	14	0.00	1	7.14	0	0	0	0.00
NORTHERN ALCT	351	296	84.33	38	12.84	5	7	0	0.00
PRINCE OF WALE	410	316	75.60	22	6.96	5	5	0	0.00
SITKA	424	439	100.00	18	4.10	6	10	0	0.00
SIKKAVIYAKOVA	0	201	0.00	12	5.97	0	3	0	0.00
BOOTHBART PAIR	331	183	100.00	25	6.53	4	3	0	0.00
VALDEZ-CORDOVA	513	490	95.52	37	7.55	7	13	0	0.00
WADSWORTH	331	316	95.47	11	3.48	5	4	0	0.00
WRANGELL-BETTER	311	310	99.68	16	5.16	4	7	0	0.00
YUKON-KOYUKUK	720	835	100.00	62	6.63	3	23	0	0.00
AK STATE TOTALS:	30,677	27,074	88.26	2,010	7.42	444	549	0	0.00

— E —

WHAT DOES THE SELECTIVE SERVICE SYSTEM PROVIDE FOR AMERICA?

The Selective Service System and the registration program for America's young men provide our Nation with:

- America's only time-proven, inexpensive *defense manpower insurance policy* in a still dangerous and uncertain world, and a hedge against underestimating the number of soldiers needed to fight in a future crisis.
- A visible symbol of national resolve to America's potential adversaries.
- A link between society-at-large and today's volunteer military, demonstrating that America's young men are responsibly standing ready to serve should a national crisis demand it.
- A proven, time-tested method of conducting a military draft in a crisis that would, from the outset, be the most fair and equitable draft in our nation's history.
- A small and efficient government agency, operating at a minimum essential budget level. Recent budgets have been consistently less than the Fiscal Year 1985 budget of \$27.4 million.
- A system that can conduct a skill specific draft, should the military find itself short of personnel with critical skills in a national emergency (i.e., medical personnel).
- Maintenance of a low cost infrastructure, existing in a variety of forms since 1917, to provide America with the ability to plan and operate an emergency conscription program.

ALASKA STATE LEGISLATURE

Chair:
LABOR AND COMMERCE

Member:
MILITARY AND VETERANS AFFAIRS
COMMUNITY AND REGIONAL AFFAIRS
LEGISLATIVE COUNCIL
JOINT ARMED SERVICES



REPRESENTATIVE LISA MURKOWSKI
Government Hill • Elmendorf • East Anchorage

Session:
ALASKA STATE CAPITOL
JUNEAU, AK 99801-1182
PHONE: (907) 465-3783
FAX: (907) 465-2293
Representative_Lisa_Murkowski@legis.state.ak.us

Interim:
716 WEST 4TH AVENUE
ANCHORAGE, AK 99501-2133
PHONE: (907) 269-0174
FAX: (907) 269-0177

Sponsor Statement

HB 305

“An Act prohibiting certain state employment, a student loan, or a permanent fund dividend for a person who fails to register for the military selective service; and providing for an affective date.”

In an effort to encourage military selective service registration for all eligible persons, I have introduced HB 305. The intent of this legislation is to ensure that Alaskans are knowledgeable about the military selective service registration system and will register promptly. This is particularly timely in view of the attack on America on September 11th and the resurgence of patriotism and service to protect our freedom and way of life in our country.

HB 305 requires any United States male citizen who is between the ages of 18 and 26 to comply with the federal selective service registration requirements, if applicable, when applying to receive:

- Certain state employment
- An Alaska student loan
- A permanent fund dividend

Failure to timely register within 30 days of turning 18 will result in ineligibility for the above state benefits. Federal law already requires military selective service registration, with consequences for not registering. A male U.S. citizen, who is 18 and meets the requirements of 50 U.S.C. App. 453 and has not registered for the selective service, is subject to a fine of \$250,000 and up to five years in prison. Registration is also a requirement to qualify for federal student aid, job training benefits and most federal employment. The US Immigration and Naturalization Service makes registration with the selective service a condition for US citizenship if the man first arrived in the U.S. before his 26th birthday. Twenty-eight other states have or are considering legislation which attaches conditions of service for eligibility for certain programs and state benefits. With this legislation, Alaska will join those other states in ensuring compliance with the federal registration requirements.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSHB305(STA)(am)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Noncompliance BRU Revenue Operations
with Selective Service Component Permanent Fund Dividend
 Sponsor Rep. Murkowski
 Requester Senate State Affairs Component No. 981

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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 amends the eligibility section of the Permanent Fund Dividend statutes by adding a section requiring that an individual who is required to register with the Selective Service System be in compliance during the qualifying year in order to be determined eligible for the dividend.

We do not expect this bill to have a fiscal effect on the operations of the Permanent Fund dividend program.

See Page 2 for further discussion.

Prepared by: Nanci A. Jones Phone 465-2323
 Division Permanent Fund Dividend Date/Time 4/21/02 3:16 PM
 Approved by: Larry Persily, Deputy Commissioner Date 4/21/2002
 Agency Department of Revenue

**CSHB305(STA)(am)
Department of Revenue**

Although the Dividend Division does not expect this legislation will have a significant fiscal effect on the operations of the dividend program, we do expect that it will increase the number of eligibility determinations that go into review and appeal each year. The Division expects a fair number of applicants will be denied each year for failure to register with Selective Service -- particularly in the first year of the new law. Young Alaska men in 1999 and 2000 averaged 86.5% compliance with Selective Service registration.

The legislation does allow, however, Alaskans who are determined ineligible for the dividend for failing to register with Selective Service to correct the deficiency and regain their eligibility for the dividend by registering with the Selective Service System within 30 days of being notified of their lack of compliance.

We also expect that an unknown number of applicants will be initially denied each year because of failures in data matches between the Dividend Division's applicant information and computer tapes obtained from the Selective Service System. Although such errors (data entry, human error, hard-to-read hand-written applications) occur in any data match and can be corrected, some applicants will experience delays in receiving their dividend until they have cleared up any data errors in the matches.

The new eligibility rule of this legislation would be advertised in the January 2003 application booklet, giving applicants a full year's notice to register with the Selective Service System before the effective date of this bill on January 1, 2004.

ALASKA STATE LEGISLATURE

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LABOR AND COMMERCE

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LEGISLATIVE COUNCIL
JOINT ARMED SERVICES



REPRESENTATIVE LISA MURKOWSKI

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ANCHORAGE, AK 99501-2133
PHONE: (907) 269-0174
FAX: (907) 269-0177

To: Senator Gene Therriault, Chair of Senate State Affairs

From: Representative Lisa Murkowski

A handwritten signature in black ink, appearing to be "LM", written over the name "Representative Lisa Murkowski".

Date: March 25, 2002

Re: Hearing Request

Please schedule House Bill 305, the "Selective Service Registration Awareness and Compliance Act", to be heard in the Senate Standing Committee of State Affairs as soon as possible.

Included with the request is:

- 1) Latest version of HB 305
- 2) Fiscal Note
- 3) Sponsor Statement
- 4) Letters of Support
- 5) Informational Testimony

Thank you for your consideration.

CS FOR HOUSE BILL NO. 305(STA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MURKOWSKI, HARRIS, MULDER, JAMES, Hudson, Green, Guess,
Dyson, Foster

A BILL

FOR AN ACT ENTITLED

1 "An Act prohibiting certain state employment, a student loan, or a permanent fund
2 dividend for a person who fails to register for the military selective service; and
3 providing for an effective date."

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

5 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 SHORT TITLE. This Act may be known as the Selective Service Registration
8 Awareness and Compliance Act.

9 * Sec. 2. AS 14.43.125(a) is amended to read:

10 (a) A person is eligible for a loan if the person

11 (1) is

12 (A) enrolled as a full-time student in a career education,
13 associate, baccalaureate, or graduate degree program;

14 (B) enrolled as a half-time student in a career education,

1 associate, baccalaureate, or graduate degree program

2 (i) in the state; or

3 (ii) out of the state and is physically present in this state

4 while attending that program; or

5 (C) a graduate of a high school or the equivalent, or scheduled
6 for graduation from a high school within six months, who, at the time of loan
7 disbursement, will be enrolled in compliance with (A) or (B) of this paragraph;

8 (2) is not delinquent and has never been in default on a loan previously
9 awarded by the commission;

10 (3) is a resident of the state at the time of application for the loan; for
11 purposes of this section, a person qualifies as a resident of the state if at the time of
12 application for the loan the person

13 (A) has been physically present in the state for at least one year
14 immediately before the time of application for the loan with the intent to
15 remain indefinitely;

16 (B) is dependent on a parent or guardian for care, the parent or
17 guardian has been present in the state for at least one year immediately before
18 the time of application for the loan with the intent to remain indefinitely, and
19 the person has been present in the state for at least one year of the immediately
20 preceding five years except that the commission may by a two-thirds vote,
21 acting upon a written appeal by the person, grant an exemption to the
22 requirement that the person has been present in the state for one year of the
23 immediately preceding five years;

24 (C) has been physically present in the state for at least one year
25 immediately before the applicant was absent from the state, the person intends
26 to return permanently to the state, and the absence is due solely to

27 (i) serving an initial period of up to three years on
28 active duty as a member of the armed forces of the United States;

29 (ii) serving for up to three years as a full-time volunteer
30 under the Peace Corps Act;

31 (iii) serving for up to three years as a full-time volunteer

1 under the Domestic Volunteer Service Act of 1973;

2 (iv) required medical care for the applicant or the
3 applicant's immediate family;

4 (v) being a person who otherwise qualifies as a resident
5 and is accompanying a spouse who qualifies as a resident under (i) -
6 (iv) of this paragraph;

7 (vi) an absence allowed under (D)(i) - (iv) of this
8 paragraph; or

9 (D) is a dependent of a parent or guardian who has been
10 physically present in the state for at least one year immediately before the
11 parent or guardian was absent from the state, the parent or guardian intends to
12 return permanently to the state, and the absence is due solely to

13 (i) participating in a foreign exchange student program
14 recognized by the commission;

15 (ii) attending a school as a full-time student;

16 (iii) full-time employment by the state;

17 (iv) being a member of or employed full-time by the
18 state's congressional delegation;

19 (v) being a person who otherwise qualifies as a resident
20 and is accompanying a spouse who qualifies as a resident under (i) -
21 (iv) of this paragraph;

22 (4) does not have a past due child support obligation established by
23 court order or by the child support enforcement division under AS 25.27.160 -
24 25.27.220 at the time of application or loan disbursement;

25 (5) has not, within the previous five years, had a loan discharged or
26 written off by the commission for any reason;

27 (6) does not have a status, at the time of the application for a loan or
28 disbursement of loan funds, that would prevent the person from repaying the loan as it
29 becomes due;

30 (7) has not within the previous seven years defaulted on another loan
31 made to the person by a lending entity unless the person can show good faith efforts to

1 repay the loan and extraordinary circumstances that led to the default; [AND]

2 (8) does not have a credit history, at the time of application for a loan,
3 that demonstrates chronic inability or unwillingness to pay an extension of credit or
4 loan as it becomes due; and

5 (9) has complied with the military selective service registration
6 requirements imposed under 50 U.S.C. App. 453 (Military Selective Service Act),
7 if those requirements were applicable to the person.

8 * Sec. 3. AS 14.43.750(a) is amended to read:

9 (a) A person may apply for and obtain a family education loan on behalf of a
10 family member if

11 (1) the borrower

12 (A) is a resident of the state at the time of application for the
13 loan; for purposes of this paragraph, a borrower qualifies as a resident of the
14 state if the borrower has been physically present in the state for at least one
15 year immediately before the time of application for the loan with the intent to
16 remain indefinitely or, if not physically present in the state, the borrower has
17 not declared or established residency in another state, intends to return
18 permanently to the state, and the absence meets the requirements imposed
19 under AS 14.43.125(a)(3)(C)(i) - (vi);

20 (B) satisfies the requirements of AS 14.43.125(a)(6) - (9)
21 [AS 14.43.125(a)(6) - (8)];

22 (2) the family member

23 (A) is enrolled as a full-time student in a career education,
24 associate, baccalaureate, or graduate degree program; or

25 (B) is a graduate of a high school or the equivalent, or
26 scheduled for graduation from a high school within six months, who, at the
27 time of loan disbursement, will be enrolled in compliance with (A) of this
28 paragraph; and

29 (3) neither the borrower nor the family member

30 (A) is delinquent or has ever been in default on a loan
31 previously awarded by the commission;

1 (B) is past due on a child support obligation established by
 2 court order or by the child support enforcement division under AS 25.27.160 -
 3 25.27.220 at the time of application or loan disbursement;

4 (C) has, within the previous five years, had a loan discharged
 5 or written off by the commission for any reason.

6 * Sec. 4. AS 39.25.160 is amended by adding a new subsection to read:

7 (k) A person may not be employed in the classified, partially exempt, or
 8 exempt service unless the person has complied with the military selective service
 9 registration requirements imposed under 50 U.S.C. App. 453 (Military Selective
 10 Service Act), if those requirements were applicable to the person. Notwithstanding
 11 AS 39.25.110, this subsection applies to employees in the exempt service except

12 (1) a justice, a judge, or a magistrate;

13 (2) the governor or the lieutenant governor;

14 (3) a member of the legislature;

15 (4) a person appointed under art. III, sec. 25, or art. III, sec. 26,

16 Constitution of the State of Alaska.

17 * Sec. 5. AS 43.23.005(a) is amended to read:

18 (a) An individual is eligible to receive one permanent fund dividend each year
 19 in an amount to be determined under AS 43.23.025 if the individual

20 (1) applies to the department;

21 (2) is a state resident on the date of application;

22 (3) was a state resident during the entire qualifying year;

23 (4) has been physically present in the state for at least 72 consecutive
 24 hours at some time during the prior two years before the current dividend year;

25 (5) is

26 (A) a citizen of the United States;

27 (B) an alien lawfully admitted for permanent residence in the
 28 United States;

29 (C) an alien with refugee status under federal law; or

30 (D) an alien that has been granted asylum under federal law;

31 [AND]

1 (6) was, at all times during the qualifying year, physically present in
2 the state or, if absent, was absent only as allowed in AS 43.23.008; and

3 (7) was in compliance during the qualifying year with the military
4 selective service registration requirements imposed under 50 U.S.C. App. 453
5 (Military Selective Service Act), if those requirements were applicable to the
6 individual.

7 * Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 APPLICABILITY. This Act applies to a person who seeks employment with the
10 state, applies for a student loan or family education loan under AS 14.43, or applies for a
11 permanent fund dividend under AS 43.23 on or after the effective date of this Act.

12 * Sec. 7. This Act takes effect January 1, 2004.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 305
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Noncompliance BRU Revenue Operations
with Selective Service Component Permanent Fund Dividend
Sponsor Rep. Murkowski
Requester Military and Veteran Affairs Component No. 981

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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 amends the eligibility section of the Permanent Fund Dividend statutes by adding a section requiring that an individual who is required to register with the Selective Service System be in compliance during the qualifying year in order to be determined eligible for the dividend.

We do not expect this bill to have a fiscal effect on the operations of the Permanent Fund dividend program.

See Page 2 for further discussion.

Prepared by: Nanci A. Jones Phone 465-2323
Division: Permanent Fund Dividend Date/Time 2/11/02 4:15 PM
Approved by: Larry Persily, Deputy Commissioner Date 02/11/2002
Agency: Department of Revenue

HB 305
Department of Revenue

Page 2 of 2

However, we do expect that this legislation will increase the number of eligibility determinations that go into review and appeal, as we expect a fair number of applicants will be denied each year for failure to register with Selective Service -- particularly in the first year of the new law. Young Alaska men in 1999 and 2000 averaged 86.5% compliance with Selective Service registration.

The bill carries a January 1, 2003 effective date, which would mean applicants for the October 2003 dividend would be judged on their compliance with Selective Service registration in 2002 — and we would expect that some applicants would be caught unaware of the new dividend eligibility rule until they were denied and it was too late the remedy the omission. (The new rule would be printed in the January 2003 application booklet.)

We also expect that an unknown number of applicants will be initially denied each year because of failures in data matches between the Dividend Division's information and computer tapes obtained from the Selective Service System. Although such errors (data entry, human error, hard-to-read hand-written applications) occur in any data match and can be corrected, the applicants will experience delays in receiving their dividend until they have cleared up any data errors in the matches.

HB

331

LEGAL SERVICES

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

(907) 485-3867 or 465-2450
FAX (907) 466-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

May 31, 2001

SUBJECT: Confirmation of governors appointees during a special session
(Work Order No. 22-LS1039)

TO: Representative Brian Porter
Speaker of the House of Representatives
Attn: Tom Wright

FROM: Tamara Brandt Cook
Director *TBC*

You ask whether the legislature may confirm appointees of the governor during the upcoming special session. Unfortunately, AS 39.05.080 is ambiguous on that point.

Under (1) of that section the governor is directed to present names for confirmation to the legislature during the first 30 days of a regular session. If an appointment is made after the first 30 days but while the legislature is still in session, the governor must present the name to the legislature within five days after the appointment is made. The paragraph specifically states: "only presentment that occurs during the time that the legislature is in regular session constitutes presentment under this section."

However, under (3) the governor is required to make a new appointment and present the name within 20 days after receipt of notice by the legislature that it has declined to confirm an appointee. Last session the legislature failed to confirm an appointee to the Game Board. As to this vacancy, the governor is directed to make an appointment and present the appointment by a deadline that falls during the interim before the special session begins. This conflicts with the statement in paragraph (1) that presentment may only occur during the time the legislature is in regular session. Furthermore, paragraph (3) goes on to state: "Failure of the legislature to act to confirm or decline to confirm an appointment during the session in which the appointment was presented is tantamount to a declination of confirmation on the day the session adjourns." When the appointment is made during the interim, it can certainly be urged that the session referred to in this sentence is the first session that occurs after the appointment when the message from the governor making the appointment would, presumably, be received and read by the legislature. In the case at hand, that session is the upcoming special session.

Consequently, if the governor presents an appointee to the legislature for the Game Board position and the legislature fails to consider that appointment, an argument could be made that the appointee has lost that position. To avoid that possibility the legislature should

Representative Brian Porter
Speaker of the House of Representatives
May 31, 2001
Page 2

consider the confirmation of a person appointed to the position during the upcoming special session, despite the contradictory language of AS 39.05.080(1) if the governor presents the name to the legislature. Note, however, that the 20 day provision of paragraph (3) clearly applies only when the legislature has declined an appointment and a subsequent appointment is made as a result of the failure of the legislature to accept the first person. No other appointments that the governor may make before or during the special session are covered by paragraph (3) and they should be neither presented to the legislature by the governor nor acted upon until the next regular session under paragraph (1).

I have today checked with the Chief Clerk and been informed that the governor has not yet this interim presented any appointees to the legislature for confirmation, although that office has received copies of letters of appointment sent to the appointees. It is possible that the governor will elect to rely on AS 39.05.080(1) and present all his appointees during the next regular session.

TBC:glc
01-312.glc

LEGAL SERVICES

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State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

May 30, 2001

SUBJECT: Confirmation process (Work Order No. 22-LS1040\A)

TO: Representative Brian Porter
Attn: Tom Wright

FROM: Terri Lauterbach
Legislative Counsel *TLauterbach*

Enclosed is a draft bill that would eliminate the potential for confirmation sessions to be required during special sessions of the legislature. It would also deal with the potentially conflicting parts of AS 39.05.080 regarding the timing of presentation of the governor's appointees. It is my understanding that you wish for presentments to occur only during regular sessions.

Under current law, AS 39.05.080(3) requires that the governor present a new appointee within 20 calendar days after the legislature notifies the governor of the legislature's refusal to confirm one of the governor's appointees. Since joint sessions for confirmation purposes are often held near the end of a regular session, this would mean that the time for presentation of the new appointee would probably fall during a special session (if one is held during the interim) because presentation is generally considered to occur when the governor's message of appointment is communicated to the legislature by being read across at a floor session. The special session would be when the first floor session occurred at which messages from the governor sent to the legislature after adjournment of a regular session could be read. In turn, this presentation would trigger the requirements of AS 39.05.080(2): hearings by standing committees and the holding of a joint session for confirmation purposes. Failure of the legislature to act on such an appointment by the end of a special session, according to the last sentence of AS 39.05.080(3), would be the same as refusal to confirm, and that person could not again be appointed to the same seat during that interim.

The above-described result could cause longer special sessions, diffuse the focus of special sessions, or result in a person losing a position because the legislature failed to act on confirmation of the person during the special session (due to lack of time or other focus) when the person might have, in fact, been mutually agreeable to both the governor and the legislature.

The above-described result is also more complicated than this because the second sentence of AS 39.05.080(3) is at odds with the presentment requirements of

Representative Brian Porter
May 30, 2001
Page 2

AS 39.05.080(1). Paragraph (1) says that only presentment that occurs during a regular session constitutes presentment. However, as noted above, the 20-day requirement of paragraph (3) will often place presentment at a special session, if one is held after the legislature refuses to confirm an appointee during a regular session. This difference in the two paragraphs is not reconcilable without changing the words of either paragraph (1) or paragraph (3).

The enclosed draft reconciles the two paragraphs in the following ways:

- (1) removing the 20-day requirement in paragraph (3) and keeping the requirement of paragraph (1) that says only presentment during a regular session is valid;
- (2) throughout the section, "regular" is inserted as appropriate;
- (3) "within five calendar days" is removed from the latter part of paragraph (1).¹

Although you did not ask for it, the draft also inserts "on or before" in AS 39.05.080(1), with reference to the March 1 date in subparagraph (B). This will pick up the non-student members of the Board of Regents whose terms expire on the first Monday in February under AS 14.40.140.

This draft would also remove the last sentence of AS 39.05.080(1). You did not ask for this change either, but making this change might forestall a future potential problem. Under the A.L.I.V.E. case, it is fairly clear that the legislature cannot change a law by using a resolution. So, removal of this sentence in paragraph (1) is intended to keep this issue from coming up.

Please let me know if you would like to resolve the tension between paragraphs (1) and (3) differently, if you would like other changes, or if I can be of other assistance.

TML:glc
01-305.glc

Enclosure

¹ This five-day presentment requirement in paragraph (1) is just as problematical as the 20-day presentment requirement in paragraph (3) because the fifth day could be outside the regular session even if the appointment were made during the regular session.

LEGAL SERVICES

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State Capitol
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MEMORANDUM

February 28, 2002

SUBJECT: Governor's appointments (CSHB 331(STA), draft version "C")

TO: Representative John Coghill
 Attn: Rynniva

FROM: Terri Lauterbach
 Legislative Counsel *T. Lauterbach*

Enclosed is the draft CS you requested.

You also requested my opinion as to what "immediately" would mean with regard to when the governor would have the duty to present an appointee's name to the legislature if the appointment were made on a weekend or holiday. Your stated intent is to ensure that "immediately" would provide the governor the flexibility to present the appointee's name to the legislature on the next "business day" and still be found in compliance with the statute amended in this bill.

In my opinion, the meaning of "immediately" is flexible and depends on the context in which it is used and the circumstances existing at the time the duty to act "immediately" arises. ~~In the legislative context, immediately could reasonably mean not the next business day, but the next business day after the next business day of the legislature. It may be that the legislature could be considered to be in session on a day when the legislature holds a floor session. However, when the governor reports, as you know, the next legislative floor session could well be on a weekend or holiday, particularly toward the end of a regular session. But, at other times, the next "business day" of the legislature would normally be a weekday.~~

If you want to give the governor the flexibility to delay presentment until after a three-day holiday weekend but still ensure that "immediately" has an outside time limit, then you could amend AS 39.05.080(1) to say "immediately, but in no event more than 72 hours later."

DISCUSSION

"Immediately" appears hundreds of times in the Alaska Statutes and is defined only once. In AS 47.17.290(6), "immediately" means "as soon as is reasonably possible, and no later than 24 hours." The context of this use of "immediately" is the reporting of suspected

Representative John Coghill
February 28, 2002
Page 2

child abuse and the notices and investigations that must happen after the initial report. The 24-hour limit is an outside time limit that the legislature put on the term "immediately" in this context. Without that outside time limit, the term would probably be construed according to the first phrase of the definition: "as soon as is reasonably possible."

The legislature has also put outside time limits on the use of "immediately" in another context. Under AS 47.12.250, a statute relating to alleged delinquents, a police officer who detains a minor must "immediately, and in no event more than 12 hours later," notify the court about the detention, and the court must "immediately, and in no event more than 48 hours later," hold a hearing except that, if the minor is being held securely in correctional facilities that house adult prisoners, the court must "immediately, and in no event more than 24 hours after the custody begins," hold a hearing. Again, this is a specific context in which the legislature has chosen to put an outside time limit on the term "immediately." There may be other statutes with outside time limits on "immediately."

However, most of the uses of "immediately" in the statutes carry no outside time limit. These statutes relate predominantly to notice situations, notices that must be given by or to courts, boards, departments, corporations, banks, etc. At least one other relates to the governor's duty to "immediately" appoint a board member (AS 03.09.010(b)). In these contexts, a court would probably use a reasonableness standard for the term "immediately." For instance, when construing insurance policies that require an insured to give "immediate" notice of a claim to the insurer, courts have found that the notice must be given "within a reasonable time under the circumstances." *Black's Law Dictionary, Seventh Edition.*

Therefore, I think "immediately," as used in AS 39.05.080(1) in the enclosed CS, would probably be construed by a court as meaning "within a reasonable time under the circumstances." In the context of AS 39.05.080(1), the circumstances considered by the court would include the fact that the legislature should be given time to consider a name presented to it. A reasonable time for presenting an appointment made on the 60th day of a regular session might be several days. There would still be plenty of time for the legislature to act on the appointment. In contrast, a reasonable time for presenting an appointment made on the 100th day could well be construed to be by the time of the next legislative floor session, which is when messages from the governor could be read across.

There is a possibility that a court would allow "immediately" to be longer than several days. If it is important to you that there be an outside time limit, then you should put that time limit in the statute.

Representative John Coghill
February 28, 2002
Page 3

I hope you find this discussion helpful to you as you consider your legislative options. I have attached a printout showing where "immediately" is used in the Alaska Statutes. If I may be of further assistance, please advise.

TML:med
02-232.med

Enclosure

ALASKA STATE LEGISLATURE

REPRESENTATIVE
PETE KOTT
10928 Eagle River Rd Ste. 141
Eagle River, Alaska 99577
(907) 694-8944
FAX (907) 694-8945



While in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-3777
FAX (907) 465-2819

House of Representatives
House District 24

Sponsor Summary HB 331

HB331 eliminates ambiguities in AS 39.05.080 making it clear that presentment of the governor's appointees to boards and commissions may only occur during regular sessions of the legislature. This bill eliminates the potential for confirmation sessions occurring during special sessions and it also reconciles potentially conflicting language regarding the timing of the appointee's presentation.

This issue arose at the end of the 2001 regular session, following the failed confirmation bid of a Game Board appointee. In response to that event, under paragraph (3), the governor made a new appointment and presented the name to the legislature within 20 days following notification of the failed nomination. As to that Game Board vacancy, the governor was correct under paragraph (3) in appointing and presenting the name, but since the regular session of the legislature had adjourned, under paragraph (1), that presentment was ineffective.

Because joint sessions for confirmation purposes are often held near the end of the regular session, this means that the time for a new appointee's presentment would most likely fall during a special session (if one is held in the interim).

The waters become muddy because the 20-day requirement (that the governor has to name a candidate following a failed confirmation) of paragraph (3) is a direct conflict with paragraph (1), which states that only presentment that occurs during a regular session constitutes presentment. To further complicate the issue, AS 39.05.080 is utterly ambiguous as to whether the legislature is even authorized to confirm appointees during the special session.

HB331 reconciles the two problematic paragraphs of AS 39.05.080 by:

- Removing the 20-day requirement in paragraph (3) and keeping the requirement of paragraph (1) stating that only presentment during a regular session is valid;
- Inserting as appropriate throughout the section, "regular;"
- Removing "within five calendar days" from the latter part of paragraph (1) because the five-day presentment requirement in paragraph (1) is just as problematical as the 20-day presentment requirement since the fifth day could be outside the regular session even if the appointment were made during the regular session.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 331(STA)
 (H) Publish Date: 3/15/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Office of the Governor
 Title: "An Act relating to appointment of BRU Executive Operations
positions that require confirmation..." Component Executive Office
 Sponsor: Representative Kott
 Requester: State Affairs Component No. 6

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

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

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)

No fiscal impact.

Prepared by: Michael A. Nizich, Administrative Director Phone 465-3876
 Division: Administrative Services Date/Time 2/6/02 9:47 AM
 Approved by: David Ramseur, Chief of Staff Date 02/06/2002
 Agency: Office of the Governor

ALASKA STATE LEGISLATURE

REPRESENTATIVE
PETE KOTT
10928 Eagle River Rd Ste. 141
Eagle River, Alaska 99577
(907) 694-8944
FAX (907) 694-8945



While in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-3777
FAX (907) 465-2819

House of Representatives
House District 24

HB331

Sectional Analysis

AS 39.05.080 establishes the procedures on how the positions or memberships on a specific board or commission shall be handled.

Paragraph 1. This paragraph directs the governor to:

- Present names of appointed individuals to the legislature. It stipulates that only presentments that occur while the legislature is in regular session constitute 'presentment.'
- Within the first 30 days after the legislature convenes its regular session, the governor presents the names of the following persons to the legislators:
 - A. appointments who have not been previously confirmed by the legislature; and
 - B. appointments of persons who will fill a position for which the term will expire **on or before March 1** during that legislative session. If an appointment is made after the first 30 days of the convening of the legislature but while the legislature is in regular session, the governor shall immediately present that appointment to the legislature for confirmation.

This paragraph of AS 39.05.080 also reflects the elimination of the five-day period of time in which the governor had to present the individual to the legislature following the appointment. The five-day presentment requirement in paragraph (1) was problematic because the fifth day could be outside the regular session even if the appointment was made during the regular session.

This paragraph also reflects the elimination of a mechanism (by concurrent resolution) where the legislature could have extended the five-day deadline. This is, of course an unconstitutional provision. A statute may only be modified by another statute not by a concurrent resolution of agency regulation.

Paragraph 2. When appointments are presented to the legislature for confirmation:

- A. The presiding officers of each house assign the appointee to a committee for a hearing, report, and recommendation. The standing committees may meet jointly; then

Sectional Analysis

- B. Before the end of the regular session in which the appointments are presented, the legislature meets in joint session to act by confirming or declining to confirm by a majority vote.

The word "regular" is added to this paragraph of AS 39.05.080 so that it is clear that confirmation hearings do not occur during special sessions.

Paragraph 3. When the legislature declines to confirm an appointment:

- the governor is notified of its action and a vacancy for the position is created which the governor fills by making a new appointment.
 - The governor cannot re-appoint the rejected candidate during the regular session of the legislature at which the confirmation failed. Likewise, the governor may not appoint the failed candidate during the interim between regular sessions to carry out the duties of that vacant position.
 - Finally, if the legislature fails to act to confirm an appointee during the regular session, the appointee is, in effect, rejected.

The 20-day provision for the governor's presentment following the initial failed confirmation is deleted from Section 3. By eliminating the 20-day provision of section (3) and keeping the requirement of section (1) it is clear that only presentment during a regular session is valid.

Paragraph 4. The appointees with pending confirmations shall exercise the functions, have the powers and be charged with the duties prescribed by law.

There are several specific limitations cited in this paragraph, such as:

- The term of an appointee who is named during the interim by a governor who leaves office prior to the first day of the regular session ends on the first day of the regular session.

This section is completely unchanged from the original statute.

Alaska State Legislature

House of Representatives

RULES COMMITTEE, CHAIR
COMMITTEE ON COMMITTEES
LABOR & COMMERCE COMMITTEE
MILITARY & VETERANS AFFAIRS
LEGISLATIVE COUNCIL



INTERIM:
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

Memorandum

To: Senator Gene Therriault
From: Rep. Pete Kott
Date: March 18, 2002

Regarding: HB 331
Governor's Appointments

Attached to this memorandum is a copy of HB 331, relating to the timing of the governor's appointments, that just passed the House of Representatives this morning. This bill is important as it cleans up a statute that is replete with ambiguities and inconsistencies relative to the procedures of the governor's presentation of board candidates. I am also submitting my sponsor statement and a sectional analysis for your consideration.

At this time, I would like to request a hearing in State Affairs, at the earliest opportunity.

Representative Pete Kott

JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT(5688) FAX (907) 465-2819
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative_pete_kott@legis.state.ak.us
<http://www.akrepublicans.org/Kott.htm>



HB

344



George P. Wuensch,
Mayor

ANCHORAGE POLICE DEPARTMENT

4501 South Bragaw Street • Anchorage, Alaska 99507-1599

Telephone (907) 786-8500

<http://www.ci.anchorage.ak.us>



Walt Monegan
Chief

FAXED APRIL 5, 2002. Fax No. 907-465-2819

April 5, 2002

Representative Pete Kott
Alaska State Legislature
State Capitol, Room 204
Juneau, AK 99801

Attn: Linda Sylvester

Re: Legislation regarding driver's licenses and expanded fees

Dear Representative Kott:

As a police officer, I strongly support the legislation regarding upgrading the quality and capabilities of Alaska Driver's License.

I understand that this will increase the costs, but from the law enforcement perspective, the costs are small compared to the time and subsequent costs to all those in public safety who must work with identifications such as driver's licenses.

Please consider this letter as support for your bill.

Sincerely,

Walt Monegan
Chief of Police

WM/ta

Letter of Support



GOVERNMENT
e-business

Identifying a better driver's license

BY Dibya Sarkar and Diane Frank
Dec. 12, 2001

Printing? Use this
version.

Email this to a friend.

Although it doesn't back the idea of a driver's license becoming a national identification card, a nonprofit association representing motor vehicle department officials wants to enhance the credibility of the license as an ID document.

Instead of a national ID card, driver's licenses are really personal identification cards that are accepted and used on a national level, said Linda Lewis, president and chief executive officer of the American Association of Motor Vehicle Administrators, which represents officials from the United States and Canada.

The problem is trusting that the person with a license is actually who it says on the card. And the way to do that is to hold up the state's obligation on the issuing end, Lewis said at a Dec. 11 luncheon sponsored by the Council for Excellence in Government in Washington, D.C.

An AAMVA (www.aamva.org) task force will report to its board of directors in January its findings and recommendations about reducing driver's license fraud and improving verification, said Jay Maxwell, president and chief operating officer of AAMVAnet Inc., an affiliate of the association that helps government agencies share motor vehicle information electronically. In February, it will outline the board's decisions with transportation, information technology and law enforcement officials from across North America.

The task force will unveil long- and short-term strategies to improve the initial issuance of a driver's license, residency and citizenship verification, security of the physical document and the IT infrastructure used in the ID process, Maxwell said at the National Electronic Commerce Coordinating Council's annual conference in Las Vegas Dec. 10.

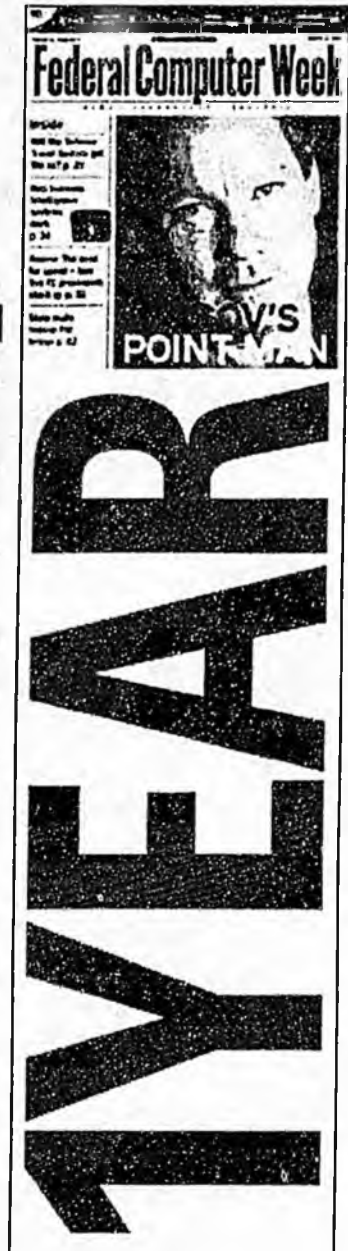
He said the group foresees the use of a unique identifier so that a driver can use one license in the United States and Canada.

"Congress mulls ID cards" [Federal Computer Week, Dec. 3, 2001]

"Congress hears national ID opinions" [Federal Computer Week, Nov. 19, 2001]

"DOD preps smart card roll out" [Federal Computer Week, Oct. 30, 2001]

Advertisement



**BEAR
EAR
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Lewis said one of the issues to consider is how state systems could link with federal systems at such agencies as the Social Security Administration and the Immigration and Naturalization Service to verify information. If such a link existed with INS, for example, it would close a loophole that exists because driver's licenses do not automatically expire when an immigration visa expires, she said.

The group also is investigating using smart card technology to reduce fraud and improve verification of the card's owner. That could mean the person, the driver's license ID and the person's driving record would be "inextricably linked," Maxwell said.

But he said motor vehicle departments are not convinced they want to do that. The key will be finding a way to manage the information on the card if the license is revoked or a person moves from one state to another, he added.

Improvements to the driver's license document could help reduce underage drinking, identity theft, the number of bad drivers using multiple licenses and the issuance of such documents to terrorists.

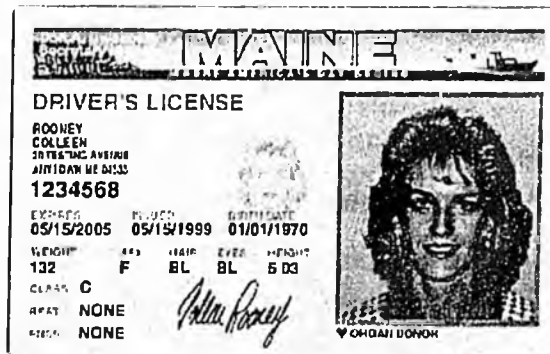


Department of the Secretary of State

Digital Driver's License



<p><u>View the Flash Presentation</u></p> <p><u>Sample License</u></p> <p><u>What is a Digital License?</u></p> <p><u>Customer Benefits</u></p> <p><u>Security Features</u></p> <p><u>Image Protection</u></p>	<p style="text-align: center;">Message to Maine Motorists from Secretary of State Dan. A. Gwadlosky</p> <p>I am pleased to introduce Maine's new digital driver's license. We have begun implementing this new license design at many of our branch offices and will continue to do so over the next several months.</p> <p>This license will have a new look and will open the door to new customer benefits. The citizens of Maine will have the advantage of receiving a driver's license with superior quality pictures, state-of-the-art security features and a new attractive design in a high quality, tamper-proof card.</p> <p>With Maine's staggered renewal cycle and over 800,000 licensed drivers, it will take 6 years to completely replace all Maine driver's licenses.</p> <p>Because driver's licenses are used for everything from cashing a check to showing proof of age, it is important to have a license that is easy to read, durable and secure. We are confident that this new license will serve Maine's citizens well.</p>
--	---





What is a Digital License?

The digital license is produced with computer technology that allows for your image to be captured digitally and displayed on the license. This same process will be used to issue state identification cards.

The digital system does not use a photographic process or film to take your picture. Instead, a video camera and a computer are used to take your picture and produce the license. Since the system is computer based, it has the ability to store your picture and signature on magnetic disk.

The stored images will provide added convenience and security to the licensing process. Replacements for lost licenses can be processed without having to visit a motor vehicle branch office to retake a picture.

Additionally, since your image is electronically stored, the ability to fraudulently obtain a driver's license or state I.D. card is reduced dramatically.

Maine will be joining many other states that currently use a digital process for issuing driver's licenses and state I.D. cards. This technology has been tried and tested to ensure that you receive a quality product.

Customer Benefits

The new Maine driver's license offers a number of exciting benefits.

Choice of Photos

The new digital technology allows for a choice of two photos. Your image is captured twice by the digital technology providing you with the opportunity to view, side by side, 2 different photographs on the computer screen. You may select whichever of the 2 photos meets your satisfaction.

Convenient Duplicates

A lost license can easily be replaced since your digital photograph is stored electronically. You no longer need to return to a motor vehicle branch office to request a duplicate license. Simply request a duplicate license (including the required fee) and one will be mailed to you.

Bar Coding

The information on the front of your license will be stored in the bar code on the reverse side. This will allow for a more accurate exchange of information whenever

you conduct a transaction with us in the future.

Organ Donor Indicator

If you wish to be an organ donor your intention may be clearly indicated on the front of your license. No more decals that peel off, wear out or fall off. A small red heart and the "organ donor" statement are a printed part of your license.

Security Features

State of the art security features make it nearly impossible for anyone to alter or copy your license. The digital license provides for a number of security features including a small ghost photo image and an embedded hologram.

Additionally, your license will be mailed directly to you within 10 days. This new process will help prevent individuals from fraudulently obtaining a driver's license.

Your Image is Protected

Maine law protects your digital image. Your digital image is considered confidential and cannot be distributed to sales and marketing companies or to the general public.

Driver Privacy Protection

In order to ensure your privacy, the personal information on your motor vehicle records will no longer be provided to sales and marketing organizations, or the general public without your authorization. To find out how you can authorize the release of your personal information, please ask for a [Driver Privacy Protection Brochure](#).

[Driver Licenses](#) [Online Services](#) [Registrations & Titles](#)

[Commercial Vehicles](#) [Locations & Hours](#) [Administration](#)

[HOME](#) [ARCHIVES](#) [BMV](#) [CEC](#) [WHAT'S NEW](#) [DESK](#) [KIDS PAGE](#)

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Alaska State Legislature

House of Representatives

RULES COMMITTEE, CHAIR
COMMITTEE ON COMMITTEES
LABOR & COMMERCE COMMITTEE
MILITARY & VETERANS AFFAIRS
LEGISLATIVE COUNCIL



INTERIM:
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

DIGITAL DRIVER LICENSE

Alaska's driver license is

- a Polaroid instant-photo film;
- a form with physical description and contact information;
- a plastic security pouch, heat-sealed, in which both of the above are encased.

The technology was developed in the 1950's and remains essentially unchanged. It is a manual process and duplicate documents cannot be manufactured without a new photo being taken. It does not contain any electronically readable media to verify that the face of the license has not been altered – a favorite practice of those under 21 and criminals. Alaska is one of only four remaining states using a photograph rather than a digital license process. Comparing the benefits of the two types of licenses is like comparing typewriters to computers.

The driver license and birth certificate are "breeder" documents; once in hand they can be parlayed into other documents: checking accounts, passport, voter registration, credit cards, firearms permits, etc. and a new or false identity is set up. Additionally, they are the two most common documents of fraudulent identification and use for cashing bad checks and perpetrating other types of bank fraud – a \$7 billion annual loss. One must keep in mind that the information contained in driver licenses and identification cards is directed at two specific purposes: law enforcement and reliable individual identification for purposes of commerce.

DMV offices regularly experience attempts at license fraud and alteration

Security, Fraud Prevention, Data Transmission

First, a digital license is significantly more difficult to alter than a photo license. Because it is computer generated, the format can be varied to stay ahead of counterfeiters and



Representative Pete Kott

JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT(5688) FAX (907) 465-2819
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative_pete_kott@legis.state.ak.us
<http://www.akrepublicans.org/Kott.htm>



SUMMARY

others desirous of altering a license. The information is layered into a blank "chip" and can incorporate more security features (blacklight, "ghost" image, micro-line printing, etc.) than a photo license. The printer is not available to small-scale forgers whereas a photo license can be duplicated by most home computer printers or large multi-function copying machines.

Second, instead of taking a photograph of a person, a camera records a fine-quality digital image of the individual and their signature. This is used for the license and is also stored on a server. The image can be disseminated electronically with minimum human intervention; likewise, it can be called up on the division's computers to verify identity when an individual claims to have lost their license and need a duplicate. Under the current photo-license process, the division has no image of the individual on file.

The biggest benefactors would be local, state and national law enforcement agencies that would retrieve images. Anchorage Police Department has a project underway to place mobile terminals in patrol cars by 2004. An officer could retrieve an image at a traffic stop or arrest scene and make instant identification of the individual. Also, inquiry could be made terminal-to-terminal and bypass using the dispatcher, thus freeing that individual for other tasks.

The images could also be transmitted among states as the driver moves from state to state. States now communicate driving record information and AAMVA (American Association of Motor Vehicle Administrators) has been designated by the federal government as the clearinghouse for this program (DRVRs) much as it is the national clearinghouse for the Commercial Driver License Information System and the Problem Driver Pointer System shared by all states. The DRVRs program is to include the ability to transmit images among states. Transmission of images is supported at the national level to decrease identity theft and to reduce the threat of terrorists obtaining fake driver licenses.

Electronic/Machine Readable Media

The digital license can incorporate a 2-D bar code that is difficult to alter. This media contains the same information that is printed on the front of the license. In the unlikely event that a person could alter the printing on the front of the license, it would be difficult, if not impossible, to alter the electronic media. The media can be used by commercial sellers of restricted products (alcohol and tobacco) to verify age and ensure that the license is valid and has not been altered. Scanning devices to read the media are commercially available and are in use in some states.

Law Enforcement Support

Statewide, law enforcement strongly supports replacement of Alaska's photo license system with a digital license system. Not only would they have access to an on-line photo database but should Alaska move into the capture of biometric data, this can be an add-on to a digital license process.

Best Technology Practices

Polaroid has the only patent in the U.S. for instant film and this market has declined with the advent of digital cameras. Polaroid has filed for Chapter 11 bankruptcy and sold its Identification Division with all of the driver license contracts. It is unlikely that the new company will support the market for the instant photo processes. All Canadian provinces and 47 states have digital license processes.

Industry Support

The restricted products sales industry (alcohol and tobacco) that have a legal requirement to verify age fully support the digital license. A major advantage is the ability to use the machine readable media to verify information. Additionally, an "Under 21" license could be printed in vertical format with the actual date a person turns 21 prominently printed on the license. This negates the practice of subtracting to verify age. The Alaska Responsible Beverage Retailers Association (ARBA) has adopted a resolution of support for the digital license concept and for raising driver license and ID card fees to cover the cost of implementing the program. The Cabaret, Hotel and Restaurant Association (CHAR) will take up the same resolution of support soon.

National Standards

In the wake of September 11 there is a demand to "harden" all driver license systems rather than create a national ID card. One of the already existing national standards for driver licenses is the digital license. Other standards include uniform standards for the appearance, photo file format and readable media among state driver licenses.

Customer Service

A government issued photo ID is required to board any airline. This is a problem when an Alaskan is out of state and loses a driver license or ID card. At present DMV can send them a certified copy of the driver license manually produced; this has received mixed acceptance among airlines. DMV cannot reproduce the photo on a finished license when the person is not present to have a picture retaken. With a digital license, an exact duplicate of the original license can be produced from the store image of the licensee and sent to the individual.

ALASKA STATE LEGISLATURE

REPRESENTATIVE
PETE KOTT
10928 Eagle River Rd Ste. 141
Eagle River, Alaska 99577
(907) 694-8944
FAX (907) 694-8945



While in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-3777
FAX (907) 465-2819

House of Representatives
House District 24

Sponsor Statement HB 344

HB 344 raises the fees for non-commercial drivers licenses, and ID cards by \$5.00. Instruction permits will increase by \$10 dollars. While these revenues go into the General Fund, DMV requires additional funding to implement the first ever overhaul of the license format. The archaic laminated Polaroid license will be converted to a **digital** system bringing Alaska up to national standards in terms of security and fraud prevention for its personal identification system.

The one-time start-up cost of digital driver license and ID card would be \$500,000. Once the digitized system is in place, licensees could convert as they expire and are renewed, or people may want to convert to the new format earlier. The new fee structure would remain in place following the conversion, as it would conform to fee structures in other states. Of note, this is DMV's first rate increase since 1993. The fee increase means that the Alaskan driver will pay an additional \$1 per year as a consequence. The increased

	Old Fee	New Fee
Original and renewing driver's license:	\$15	\$20
Instruction permits	\$5	\$15
Duplicate licenses and permits:	\$10	\$15
Identification cards	\$15	\$20

Why digitize?

Alaska is one of the last four states to convert to digital licenses. By moving beyond 1950's era technology, Alaska steps up efforts to insure the integrity of its individual identification system. In the wake of September 11, there is a demand to "harden" all driver license systems rather than create a national ID card. One of the existing national standards already in place is the digital driver license. Other standards include uniform standards for the appearance, photo file format and readable media among state driver licenses.

Alaska's sweeping driver license format change will benefit law enforcement as well as industries that sell restricted products such as alcohol and tobacco.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 344(STA)
 (H) Publish Date: 2/22/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title: An Act increasing fees for driver BRU: Motor Vehicles
licenses, instruction permits.... Component: _____
 Sponsor: House Rules
 Requester: House (STA) Component No. 2348

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	500.0	0.0	0.0	0.0	0.0	0.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	500.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ('005)	900.0	900.0	900.0	900.0	900.0	900.0
------------------------------------	--------------	--------------	--------------	--------------	--------------	--------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	500.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	500.0	0.0	0.0	0.0	0.0	0.0

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 intent language contained in this bill instructs DMV to implement a digital license system in accordance with established national standards. There are three components needed to implement such a system. These are development of an IT system to support issuance, storage, and transmission of the digital images, equipment to produce the licenses in DMV field offices, and annual operational budget costs to purchase supplies for producing the digital licenses.

DMV already has capital funding for the equipment to produce the licenses. The annual operating costs are approximately the same as DMV currently has funded in the operating budget for the (continued on page 2)

Prepared by: Charles R. Hosack Phone 269-5559
 Division: Motor Vehicles Date/Time 2/20/02
 Approved by: Jim Duncan, Commissioner Date 2/20/2002
 Agency: Department of Administration

ANALYSIS CONTINUATION

operation and supplies for the current photographic license system. The only needed funding is the onetime cost for IT system development and related costs. DMV estimates these costs to be \$500,000. This estimate is based on information from companies involved in license projects in other states and from the recent experience of other states who have developed digital license systems.

REVENUE

This bill increases the fees for the original issue, renewal, and duplicates of driver licenses, and ID cards by \$5. The fee for instruction permits is increased by \$10. The last increase in these fees was over 10 years ago. The licenses and ID cards are valid for 5 years so cost of the license or ID card increases by \$1 per year. The Instruction Permit is valid for 2 years so the cost increase is \$5.00 per year. Commercial driver licenses including school bus permits are not included in the increase.

DMV does approximately 180,000 of these transactions per year. The annual increase in revenue is \$900,000. There are no operating costs involved with changing the fees.

Alaska State Legislature

House of Representatives

RULES COMMITTEE, CHAIR
COMMITTEE ON COMMITTEES
LABOR & COMMERCE COMMITTEE
MILITARY & VETERANS AFFAIRS
LEGISLATIVE COUNCIL



INTERIM:
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

Memorandum

To: Senator Gene Therriault
From: Rep. Pete Kott
Date: April 18, 2002

Regarding: Request for Hearing
HB 344 DMV Fee Increase/Conversion to Digital Licensing

Attached to this memorandum is a copy of HB 344 and the backup materials.

At this time, I respectfully request a hearing on this bill in your committee as soon as you can find time. Not only does the bill benefit the General Fund but it authorizes the first ever overhaul of the state's driver's license system. It is supported by the restricted sales industry, law enforcement, the Municipality of Anchorage. The bill is sponsored by House Rules, by the request of the Division of Motor Vehicles. If you need any more information, Linda Sylvester is the contact person for this item.

Thank you for your consideration

Representative Pete Kott


JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT(5688) FAX (907) 465-2819
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative_pete_kott@legis.state.ak.us
<http://www.akRepublicans.org/Kott.htm>



Tennessee

Driver License
11111114

Class D Expires 12-12-2000
Endorsements ... Issued 05-17-99
Restrictions ...
Birthdate 12-12-1920 Sex M HI 4'03" Eyes BR
Soc Sec No 222-33-4444



IMA TENNESSEE SAMPLE
1150 FOSTER AVE
FT NASHBOROUGH, TN 38201

Ima Tr Sample

CALIFORNIA

DRIVER LICENSE
I2672599 CLASS: C
EXPIRES 10-07-96

SAMPLE

MONA LIZA SMITH
55 DE VINCE LANE
RENAISSANCE CA 01211

SEX: F HAIR: BLK EYES: BRN
HT: 5-02 WT: 120 DOB: 10-07-60




Mona Liza Smith

07/15/92 50-1 071 FD/96 1021

IOWA COMMERCIAL DRIVER LICENSE

DRIVER LICENSE NO. 123456789

Class (See Reverse) Restrictions (See Reverse) Endorsements (See Reverse)
G CDE P
DOB 11-26-69 12-05-06 11-15-94
Height Weight Sex Eyes Audit
6-00 170 M BLU 12345678



Brian McMenimen

BRIAN MCMENIMEN
9930 SHADOWLAND ROAD
CORNING, IA 50841


TEXAS

DEPARTMENT OF PUBLIC SAFETY
UNDER 21 DRIVER LICENSE

UNDER 21 UNTIL 01-02-03
SAMPLE, IMA
2120 OLD MAIN STREET
ANYTOWN TX 12345-0010

CLASS: CM DL: 12345678
DOB: 01-02-82 EXPIRES: 01-02-04
REST: C
END:


HT: 6-00
EYES: BRN
SEX: M



UNISYS Columbus, Ohio April 26-27-28 **ITC'95**
DL#: D1001013 Class: A Expires: 04/26/1999


Charles R. Hosack
9340 Emerald Street
Anchorage, AK 99515-1207

Sex: M Height: 6-01 Weight: 220
Hair: GRY Eyes: BLU DOB: 04/03/1948



Charles R. Hosack

Issued 04-26/1995 Endorse Restrictions Donor YES



ALASKA STATE LEGISLATURE

REPRESENTATIVE
PETE KOTT
10928 Eagle River Rd Ste. 141
Eagle River, Alaska 99577
(907) 694-8944
FAX (907) 694-8945



While in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-3777
FAX (907) 465-2819

House of Representatives
House District 24

Sponsor Statement HB 344

HB 344 raises the fees for non-commercial drivers licenses, and ID cards by \$5.00. Instruction permits will increase by \$10 dollars. While these revenues go into the General Fund, DMV requires additional funding to implement the first ever overhaul of the license format. The archaic laminated Polaroid license will be converted to a **digital** system bringing Alaska up to national standards in terms of security and fraud prevention for its personal identification system.

The one-time start-up cost of digital driver license and ID card would be \$500,000. Once the digitized system is in place, licensees could convert as they expire and are renewed, or people may want to convert to the new format earlier. The new fee structure would remain in place following the conversion, as it would conform to fee structures in other states. Of note, this is DMV's first rate increase since 1993. The fee increase means that the Alaskan driver will pay an additional \$1 per year as a consequence. The increased

	Old Fee	New Fee
Original and renewing driver's license:	\$15	\$20
Instruction permits	\$5	\$15
Duplicate licenses and permits:	\$10	\$15
Identification cards	\$15	\$20

Why digitize?

Alaska is one of the last four states to convert to digital licenses. By moving beyond 1950's era technology, Alaska steps up efforts to insure the integrity of its individual identification system. In the wake of September 11, there is a demand to "harden" all driver license systems rather than create a national ID card. One of the existing national standards already in place is the digital driver license. Other standards include uniform standards for the appearance, photo file format and readable media among state driver licenses.

Alaska's sweeping driver license format change will benefit law enforcement as well as industries that sell restricted products such as alcohol and tobacco.

Alaska State Legislature

House of Representatives

RULES COMMITTEE, CHAIR
COMMITTEE ON COMMITTEES
LABOR & COMMERCE COMMITTEE
MILITARY & VETERANS AFFAIRS
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INTERIM:
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

Memorandum

To: Sen. Gene Therrault
From: Linda Sylvester
Rep. Pete Kott
Date: April 15, 2002
Regarding: HB 344
Driver License Fees

Today, HB 344 passed the House with a vote of 35 to 2. HB 344 raises fees for non-commercial drivers licenses, ID cards and learner's permits, which will raise revenue by \$750,000 to \$900,000 per year. It will also authorize \$500,000 for to fund the IT component for the Division of Motor Vehicle's conversion to a digital driver's license system.

Attached is a copy of the bill, sponsor statement and fiscal note. As well, I'm including background information for you.

At this time, I respectfully request a hearing before the Senate State Affairs Committee as early as practicable.



Representative Pete Kott

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EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative_pete_kott@legis.state.ak.us
<http://www.akrepublicans.org/Kott.htm>



**DIGITAL DRIVER LICENSE
Fee and Volume Information**

- Driver License is valid for 5 years; the current cost is \$3 per year (\$15 fee for a 5-year license).
- ID card is valid for 5 years; the current cost is \$2 per year (\$10 fee for a 5-year ID card).
- The proposed fee increase of \$5 equates to a \$1 per year increase for a driver license or ID card.
- Fees were last raised in 1991.
- DMV issues approximately 150,000 – 180,000 original driver licenses, permits, ID cards, duplicates or renewals per year.
- Revenue generated is estimated to be \$900,000 per year.
- One-time start-up cost of digital driver license and ID card would be \$500,000.
- Licenses and ID cards would convert to digital as they expire and are renewed although DMV anticipates that some individuals would choose to convert earlier, thus potentially boosting revenue numbers.

RESOLUTION

THIS RESOLUTION is adopted by the Anchorage Responsible Beverage Retailers Association this 12th day of December, 2001.

WHEREAS, the Members of the Association are engaged in the sale of age restricted products; and

WHEREAS, the Association has been informed that the Division of Motor Vehicles is endeavoring to change the format of its drivers licenses and its state identification cards from a photographic system to a digital system; and

WHEREAS, the Association believes that such a digital system of drivers licensing and identification would reduce the incidence of minors and underage individuals making purchases of age restricted products; and

WHEREAS, one of the primarily goals of the Association and its individual members is to prevent the sales of age restricted products to underage individuals; and

WHEREAS, the Association has been informed that virtually every other State in the United States has already converted to a digital drivers license and identification system; and

WHEREAS, the Association has been informed that funding from the Legislature is all that is required for the Department of Motor Vehicles to implement the new system; and

WHEREAS, the Association has been further informed that an increase of \$5.00 in the original and duplicate drivers license, instruction permit and identification card fees will provide sufficient funding for the division to implement a digital system,

NOW THEREFORE, the Anchorage Responsible Beverage Retailers Association

RESOLVES as follows:

The Association supports increasing the drivers license, instruction permit and identification card fees and the appropriation by the Alaska Legislature of sufficient funds to complete the conversion of the drivers license, instruction permits and state identification cards to digital format.

Submitted by: Assembly members:
TESCHE, TRAINI
Prepared by: Department of Assembly
For reading: February 5, 2002

ANCHORAGE, ALASKA
AR NO. 2002 - 47

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING THE STATE DIVISION OF MOTOR VEHICLES IN ITS EFFORT TO CHANGE THE FORMAT OF ITS DRIVERS' LICENSES, INSTRUCTION PERMITS AND STATE IDENTIFICATION CARDS FROM A PHOTOGRAPHIC TO DIGITAL SYSTEM.

WHEREAS, the Assembly has been informed that the Division of Motor Vehicles of the State of Alaska is endeavoring to change the format of its drivers' licenses, instruction permits, and State Identification cards from a photographic system to a digital system; and

WHEREAS, the Assembly believes that such a digital system of licensing and identification would reduce the incidence of minors and underage individuals making the purchases of age-restricted products; and

WHEREAS, the Assembly has been informed that virtually every other State in the United States has already converted to a digital driver's license and identification system; and

WHEREAS, the Assembly has also been informed that funding from the Legislature is all that is required for the Department of Motor Vehicles to implement the new system; and

WHEREAS, an increase of \$5.00 in the original and duplicate driver's license, instruction permit, and identification card fees will provide sufficient funding for the Division to implement a digital system.

NOW, THEREFORE, the Anchorage Municipal Assembly resolves:

The Assembly supports increasing the driver's license, instruction permit and identification card fees and the appropriation from the Alaska Legislature of sufficient funds to complete the conversion of drivers' licenses, instruction permits, and State identification cards to digital format.

PASSED and APPROVED by the Anchorage Assembly this 5th day of February, 2002.

/s/ _____
Dick Traini
Chair

ATTEST:

/s/ _____
Greg Moyer
Municipal Clerk

Public Safety Employees Association, Inc.
"Representing Alaska's Finest"

February 25, 2001

Representative Pete Kott
State Capitol
Juneau, AK 99801-1182

Re: HB 344

Dear Representative Kott,

I would like PSEA put on record as giving strong support for House Bill 344. We at PSEA believe that HB344 brings about a much needed change in how the state handles its system of issuing personal identification cards and driver's licenses.

As a representative of Alaska's law enforcement officers, it is imperative that we come into the 21st century and take advantage of the digital equipment that is becoming the standard for law enforcement agencies in other parts of the country. HB 344 would give our state's law enforcement officers a boost in the process of identifying persons when the individual's identity is in question. Under this bill, falsification of state identification will be extremely difficult.

Moreover, the use of digital transfers of information is one of the most efficient ways to get accurate information fast, and after the September 11 attacks, we are very much in need of expediency if we are to protect the citizenry of our great state. We feel that law enforcement should be on the cutting edge of technology and digitizing driver licenses and ID cards is a very progressive step.

PSEA hopes that the legislature will act swiftly on this matter and pass HB 344.

Sincerely,



Keith Perrin
Business Manager