

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2004 8672

10917 HOUSE LABOR & COMMERCE

FISCAL NOTE

**STATE OF ALASKA
2003 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: HB 164
 () Publish Date: _____

Revision: 3/31/03 11:01 AM Department: Labor and Workforce Development
 Title: Claims by State-Employed Seamen BRU: Workers' Compensation
 Sponsor: Rules Committee Component: Workers' Compensation
 Requester: House L&C Component Number: 344

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	55.6	74.1	74.1	74.1	74.1	74.1
Travel	3.0	4.0	4.0	4.0	4.0	4.0
Contractual	4.6	6.1	6.1	6.1	6.1	6.1
Supplies	7.8	2.8	2.8	2.8	2.8	2.8
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	71.0	87.0	87.0	87.0	87.0	87.0

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						
1157 Workers Safety Account	71.0	87.0	87.0	87.0	87.0	87.0
TOTAL	71.0	87.0	87.0	87.0	87.0	87.0

Estimate of any current year (FY2003) cost: None

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

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

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

This Bill would require work-related injuries or illnesses of state employed seamen to be covered under the State of Alaska's Workers' Compensation Act. This coverage is currently being provided through federal jurisdiction under the Jones Act and Admiralty Law. In the first year, funding is only needed for nine months due to recruitment for the position and the time it takes for a case to reach the hearing process.

Prepared by: Paul Grossi, Director Phone: 465-2790
 Division: Workers' Compensation Date/Time: 3/31/03 11:01 AM
 Approved by: Greg O'Claray, Commissioner Date: 03/31/03
 Agency: Department of Labor and Workforce Development

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 164
 (H) Publish Date: 3/5/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title An Act relating to state immunity for certain BRU Risk Management
actions by state employed seaman.... Component Risk Management
 Sponsor _____
 Requester _____ Component No. 71

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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 (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Very significant cost savings will be realized in future years as the AMHS and the few other maritime employees injury claims transition into the state average employee injury rate and cost.

The state funds its claim costs on a "cash flow" basis (appropriating only the amounts expected to be paid the next fiscal year) collected solely through interagency receipts (cost of risk allocations) assessed each agency.

If Risk Management (RM) was provided continuing funds for each FY (held in reserve until all outstanding liabilities from that period are paid - as an insurance carrier operates), then RM could immediately reduce premium assessments — reflecting the cost savings anticipated.

Future year premium assessments will reflect the cost reductions actually realized by this legislation as premiums are developed from actual claims expenses incurred.

Prepared by: J. Brad Thompson, Director Phone _____
 Division Risk Management Date/Time 3/6/03 10:57 AM
 Approved by: _____ Date 3/6/2003
 Agency Administration

An analysis of AMHS crew claims costs compared to those provided under the Alaska Workers Comp Act (AWCA) for all other state employees.

The enclosed Excel workbook contains detailed breakouts of the actual incurred loss (cost to date plus anticipated expense) by each individual AMHS vessel for the past six fiscal years.

To objectively analyze the AMHS employee's injury experience to the state's overall employee injury rate, both frequency (number of claims) and severity (loss cost) are averaged and compared on a per 100 FTE (full time equivalent) basis.

Additional analysis was performed between AMHS and the five state agencies with the highest workers' compensation loss experience - to provide comparison to similar physically demanding jobs.

AMHS shows a five year average loss rate of 41 claims per 100 FTE's in comparison the state overall workers' compensation injury rate of 8, with the highest five agencies showing average loss experience of 10 claims per 100 FTE's.

On a cost per 100 FTE's analysis; AMHS actual claims experience during the last five years shows an average cost of \$197,065 compared to the top five state agencies averaged cost of \$64,145 during the same period.

The most significant difference is the award for the non-economic damages, not provided under workers compensation remedies and that life illnesses that are alleged to manifest during a voyage are covered under the Jones Act.

**AMHS CREW CLAIMS
FREQUENCY TO 100 FTE'S**

FISCAL YEAR	2002			2001			2000			1999			1998			TOTALS
	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	
SHIP																
AURORA	24	64.7	37.1	26	64.7	40	35	64.7	54	24	64.7	84	21	62.9	33	180
BARTLETT	14	21.1	66.4	17	21.1	81	14	21.1	66	7	21.1	314	19	22.7	84	130
KENNICOTT	47	112.1	41.9	81	112.1	72	44	112.1	39	33	112.1	35	not yet in service			211
COLUMBIA	35	97.7	35.8	1	97.7	1	25	97.7	26	31	97.7	26	21	94.8	22	108
LE CONTE	31	62.8	49.4	28	62.8	45	20	62.8	32	13	62.8	51	10	55.1	18	121
MALASPINA	22	36.3	60.6	40	36.3	110	18	36.3	50	13	36.3	137	19	45.4	42	149
MATANUSKA	65	82.9	78.4	56	82.9	68	44	82.9	53	29	82.9	64	36	112.9	32	254
TAKU	48	111.7	43.0	46	111.7	41	25	111.7	22	28	111.7	20	30	110.3	27	171
TUSTUMENA	25	65.9	37.9	37	65.9	56	23	65.9	35	24	65.9	53	22	66.0	33	142
OTHER AMHS	31			19			3			13			7			60
FISCAL YEAR TOTALS	342	655.2	50.1	351	655.2	54	251	655	38	215	655	33	178	570.1	31.2	1160
																0
State W/C Claims & FTEs (not including AMHS)	1298	15,516	8.4	1,382	14,271.8	9.7	1,060	14,182.0	7.5	1,102	14,210.0	7.8	1,198	13,785.0	8.7	4945

Note: Work Comp FTEs taken from CORA and adjusted for AMHS FTE count.

	Claims	FTE's
AMHS (5) YEAR TOTAL	1,337.0	3,191

	Claims	FTEs
5 YEAR AVERAGE	267.4	638.2

AMHS CLAIMS per 100 FTEs - 5 Year Average	41
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STATE W/C CLAIMS PER 100 FTE's	8
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**ALL DEPT CLAIMS
FREQUENCY TO 100 FTE'S**

DEPARTMENT	2002			2001			2000			1999			1998			1997			TOTALS
	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	
Governor's Office	5	196	2.6	0	187	0.0	3	189	1.6	7	200	3.5	6	186	2.7	7	187	3.7	22
Administration	214	1466	14.6	260	1,404.0	18.5	211	1,536.0	13.7	180	1,334.0	13.5	192	1,289.0	14.9	182	1,155.0	15.8	1025
Law	20	478	4.2	16	454.0	3.5	8	453.0	1.8	11	447.0	2.5	17	441.0	3.9	15	439.0	3.4	67
Revenue	21	506	4.2	32	474.0	6.8	28	492.0	5.7	15	492.0	3.0	28	502.0	5.6	32	487.0	6.6	135
Education	28	451	6.2	15	398.0	3.8	17	510.0	3.3	20	497.0	4.0	25	491.0	5.1	34	506.0	6.7	111
Health & Social Services	168	2459	6.8	196	2,215.0	8.8	143	2,201.0	6.5	165	2,098.0	7.9	183	2,047.0	8.9	199	2,103.0	9.5	886
Labor & Workforce Dev	37	887	4.3	35	794.0	4.4	29	719.0	4.0	19	633.0	3.0	23	736.0	3.1	25	815.0	3.1	131
Commerce & Economic Dev	10	503	2.0	18	451.0	4.0	11	374.0	2.9	12	481.0	2.5	9	426.3	2.1	17	457.0	3.7	67
Military & Veterans Affairs	22	259	8.5	19	223.0	8.5	14	222.0	6.3	17	216.0	7.9	19	178.0	10.7	15	171.0	8.8	84
Natural Resources	112	714	15.7	135	657.0	20.5	87	675.0	12.9	95	910.0	10.4	132	609.0	21.7	158	937.0	18.9	607
Fish & Game	72	1225	5.9	84	1,137.0	7.4	89	1,148.0	7.8	75	1,121.0	6.7	85	1,095.0	7.8	83	999.0	8.3	410
Public Safety	139	764	18.2	123	727.0	16.5	84	754.0	12.5	82	766.0	12.0	89	746.0	11.9	88	887.0	9.9	486
Environmental Conservation	12	491	2.4	13	467.0	2.8	11	480.0	2.3	19	491.0	3.9	17	473.0	3.6	16	506.0	3.2	76
Corrections	162	1473	11.0	154	1,368.0	11.3	100	1,366.0	7.3	136	1,362.0	10.0	139	1,358.0	10.2	125	1,350.0	9.3	654
Transportation	251	2629	9.5	253	2,476.8	10.2	181	2,281.0	8.0	207	2,362.0	8.8	205	2,330.0	8.8	231	1,955.0	11.8	1077
Legislative Affairs	10	294	3.4	4	300.0	1.3	11	274.0	4.0	13	272.0	4.8	6	350.0	1.7	7	292.0	2.4	41
Legislative Audit	0	37	0.0	1	36.0	2.8	0	36.0	0.0	0	36.0	0.0	0	34.0	0.0	0	36.0	0.0	1
Courts	15	704	2.1	24	690.0	3.5	23	681.0	3.4	19	692.0	2.7	24	680.0	3.5	22	674.0	3.3	112
FISCAL YEAR TOTALS	1298	15516	8.4	1,382	14,272	9.7	1,060	14,182	7.5	1,102	14,210.0	7.8	1,198	13,785.0	8.7				4742

Note: Work Comp FTEs taken from CORA

DO NOT WRITE IN THESE SPACES

AMHS Claims Frequency
compared to Top 5 State Dept W/C Claims Frequency per 100 FTEs

FISCAL YEARS	2002			2001			2000			1999			1998			1997			TOTALS
	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	# Claims	FTEs	#/100FTEs	
AURORA	24	64.7	37.1	26	64.7	40	35	64.7	54	24	64.7	37	21	62.9	33	11	42.7	26	112.2
BARTLETT	14	21.1	66.4	17	21.1	81	14	21.1	86	7	21.1	33	19	22.7	84	15	62.3	24	119.7
KEARSCOTT	47	112.1	41.9	81	112.1	72	44	112.1	39	33	112.1	29	not yet in service			not yet in service			103.58
COLUMBIA	35	97.7	35.8	1	97.7	1	25	97.7	26	31	97.7	32	21	94.8	22	35	122.9	28	113.8
LECONTE	31	62.8	49.4	28	62.8	45	20	62.8	32	13	62.8	21	10	55.1	18	19	62.9	30	115.0
MALASPINA	22	36.3	60.6	40	36.3	110	18	36.3	50	13	36.3	36	19	45.4	42	38	123.2	31	112.9
MATANUSKA	65	82.9	78.4	58	82.9	68	44	82.9	53	29	82.9	35	36	112.9	32	25	69.8	36	110.0
TAKU	48	111.7	43.0	46	111.7	41	25	111.7	22	28	111.7	25	30	110.3	27	35	111.6	31	111.4
TURTLE CREEK	25	65.9	37.9	37	65.9	58	23	65.9	35	24	65.9	38	22	66.0	33	21	62.4	34	112.0
OTHER/AMHS	31			19			3			13			7			8			111.50
FISCAL YEAR TOTALS	342	655.2	50.1	351	655.2	54	251	655	38	215	655.2	32.8	178	570.1	31.2	199	657.8	30.3	1194.8
Other DOT	199	2629	8	258	2,433.0	11	184	2,377.0	8	197	1,706.8	11.5	203	1,759.9	11.5	231	2,264.2	10.2	1,270.0
DHSS	154	2459	8	199	2,365.0	8	145	2,365.0	6	168	2,098.0	8.0	182	2,047.0	8.9	199	2,103.0	9.5	1,893.0
CORRECTIONS	142	1473	10	150	1,460.0	10	102	1,368.0	7	131	1,362.0	9.6	139	1,358.0	10.2	125	1,350.0	9.3	1,647.0
ADMINISTRATION	178	1466	12	259	1,442.0	18	210	1,404.0	15	178	1,534.0	13.3	192	1,288.8	14.9	182	1,155.0	15.8	1,021.0
RUB SAFETY	121	764	16	125	745.0	17	95	727.0	13	92	766.0	12.0	89	748.0	11.9	88	687.0	9.8	1,489.0
(Top 5 Depts. Only) Work Comp Claims & FTEs (not including AMHS)	794	8,791	0	969	8,445	12	736	8,241	9	766	7,286.8	10.5	805	7,199.9	11.2	825	7,753.2	10.6	4320

Note: Top 5 Dept. Work Comp FTEs taken from CORA Bonds FTE column and adjusted for AMHS FTE count.

Row 14	# Claims	FTEs		
AHMS COMBINED (5) YEAR TOTAL	1,337	3,180.0		
AHMS 5 YEAR AVERAGE	267	638.2		
AHMS Frequency Rate per 100 FTEs	42	Top 5 Dept. Frequency Rate per 100 FTEs	10	

AMHS EMPLOYEE INJURY CLAIMS
Cost per 100 FTEs

FISCAL YEAR	2002			2001			2000			1999			1998			TOTALS
	\$ Claims	FTEs	\$/100FTEs	\$ Claims	FTEs	\$/100FTEs	\$ Claims	FTEs	\$/100FTEs	\$ Claims	FTEs	\$/100FTEs	\$ Claims	FTEs	\$/100FTEs	
AURORA	\$44,248	64.7	\$68,390	206,941	64.7	\$319,847	\$324,005	64.7	\$500,781	\$136,670	64.7	\$211,236	\$38,730	62.9	\$61,574	\$1,750,504
BARTLETT	\$40,001	21.1	\$189,578	95,300	21.1	\$452,047	\$30,666	21.1	\$145,336	\$28,706	21.1	\$136,047	\$30,969	22.7	\$136,427	\$267,243
KENNICOTT	\$173,665	112.1	\$154,920	384,527	112.1	\$343,021	\$99,886	112.1	\$89,104	\$166,378	112.1	\$148,419	\$0	0.0	\$0	\$24,456
COLUMBIA	\$81,994	97.7	\$83,924	4,308	97.7	\$4,409	\$115,447	97.7	\$118,165	\$111,820	97.7	\$114,452	\$32,107	94.8	\$33,868	\$36,676
LE CONTE	\$78,545	62.8	\$125,072	70,388	62.8	\$112,083	\$191,004	62.8	\$304,146	\$663,504	62.8	\$1,056,535	\$625,761	55.1	\$1,135,602	\$1,620,202
MALESPINA	\$12,878	36.3	\$35,477	2,222	36.3	\$6,121	\$139,958	36.3	\$385,559	\$24,219	36.3	\$66,719	\$107,033	45.4	\$235,756	\$289,910
MATANUSKA	\$230,299	82.9	\$277,803	130,842	82.9	\$157,831	\$133,160	82.9	\$160,627	\$31,019	82.9	\$37,417	\$52,202	112.9	\$46,237	\$77,522
TAKU	\$83,594	111.7	\$74,838	335,318	111.7	\$300,198	\$135,658	111.7	\$121,448	\$68,573	111.7	\$61,390	\$24,437	110.3	\$22,145	\$647,587
TUSTUMENAW	\$201,002	65.9	\$305,010	77,320	65.9	\$117,329	\$482,448	65.9	\$732,091	\$58,315	65.9	\$88,480	\$181,996	66.0	\$275,752	\$1,001,081
FISCAL YEAR TOTALS	\$946,227	655.2	\$144,418	1,307,249	655.2	\$199,519	\$1,652,232	655.2	\$252,172	\$1,289,204	655.2	\$196,765	\$1,093,235	570.1	\$191,762	\$6,288,147

	\$ Claims	FTEs
(5) YEAR TOTAL	6,288,147	3,190.9

	\$ Claims	FTEs
5 YEAR AVERAGE	\$1,257,629	638.2

	FTEs
Rate per 100 FTEs	\$197,065

**ALL DEPT WORKERS' COMPENSATION CLAIMS
SEVERITY TO 100 FTE'S**

DEPARTMENT	2002			2001			2000			1999			1998			1997			TOTALS
	Claim cost	FTEs	\$/100FTEs	Claim cost	FTEs	\$/100FTEs	Claim cost	FTEs	\$/100FTEs	Claim cost	FTEs	\$/100FTEs	Claim cost	FTEs	\$/100FTEs	Claim cost	FTEs	\$/100FTEs	
Governor's Office	52,756	106	26,816	\$0	187	\$0	\$7,029	109	\$3,719	\$3,100	200	\$1,550	\$13,404	180	\$7,255	\$100,035	187	\$26,703	\$120,058
Administration	1,710,644	1460	116,600	\$1,697,177	1,404.0	\$120,882	\$1,141,169	1,530.0	\$74,295	\$1,135,228	1,334.0	\$85,099	\$1,328,798	1,289.0	\$103,087	\$1,823,040	1,155.0	\$157,917	\$7,128,306
Law	99,100	479	20,746	\$54,719	454.0	\$12,053	\$42,318	453.0	\$9,342	\$50,285	447.0	\$11,249	\$70,031	441.0	\$16,084	\$36,441	439.0	\$8,201	\$254,694
Revenue	172,444	506	34,080	\$79,741	474.0	\$16,190	\$112,713	492.0	\$22,909	\$91,242	492.0	\$18,545	\$102,708	502.0	\$30,388	\$95,240	487.0	\$19,558	\$568,651
Education	124,033	451	27,035	\$17,877	398.0	\$4,482	\$131,201	510.0	\$25,720	\$48,005	497.0	\$9,659	\$61,693	491.0	\$19,638	\$73,373	508.0	\$14,501	\$352,140
Health & Social Services	1,001,074	2459	43,151	\$821,876	2,215.0	\$37,105	\$780,879	2,201.0	\$35,468	\$531,971	2,008.0	\$25,358	\$904,103	2,047.0	\$44,197	\$719,481	2,103.0	\$34,212	\$3,758,110
Labor & Workforce Dev	394,718	867	45,527	\$156,374	704.0	\$19,694	\$193,897	719.0	\$26,968	\$82,883	633.0	\$13,094	\$45,203	730.0	\$6,150	\$140,167	815.0	\$18,100	\$626,585
Commerce & Economic Dev.	14,812	503	2,045	\$60,023	451.0	\$13,300	\$2,034,760	374.0	\$544,053	\$89,214	481.0	\$18,548	\$58,005	428.0	\$13,377	\$10,589	457.0	\$4,981	\$2,281,569
Military & Veterans Affairs	134,295	259	51,851	\$35,888	223.0	\$16,093	\$73,094	222.0	\$32,925	\$139,450	218.0	\$64,560	\$200,248	178.0	\$117,442	\$16,244	171.0	\$9,500	\$544,922
Natural Resources	280,263	714	40,093	\$483,120	857.0	\$75,057	\$329,231	875.0	\$48,775	\$195,793	910.0	\$21,518	\$498,350	609.0	\$81,831	\$385,225	937.0	\$42,100	\$1,011,724
Fish & Game	251,007	1225	20,497	\$479,722	1,137.0	\$42,102	\$500,289	1,148.0	\$44,363	\$362,537	1,121.0	\$32,340	\$253,400	1,095.0	\$23,150	\$668,608	999.0	\$66,928	\$2,273,852
Public Safety	1,699,714	784	222,478	\$723,008	727.0	\$99,451	\$321,749	754.0	\$42,872	\$792,977	769.0	\$103,522	\$403,173	740.0	\$54,045	\$1,003,225	687.0	\$122,122	\$3,324,131
Environmental Conservation	73,544	491	14,978	\$65,925	487.0	\$14,117	\$132,521	480.0	\$27,609	\$81,037	491.0	\$12,431	\$176,513	473.0	\$37,741	\$64,704	500.0	\$12,787	\$502,701
Corrections	837,108	1473	50,030	\$831,080	1,308.0	\$60,752	\$465,731	1,368.0	\$34,094	\$873,703	1,362.0	\$64,149	\$973,000	1,350.0	\$71,649	\$784,905	1,350.0	\$58,134	\$3,828,325
Transportation	2,108,473	2020	80,125	\$2,400,217	2,479.0	\$96,908	\$1,437,892	2,361.0	\$63,587	\$2,040,125	2,302.0	\$88,373	\$1,315,377	2,030.0	\$65,454	\$2,106,735	1,256.0	\$107,761	\$9,300,140
Legislative Affairs	65,473	204	22,270	\$10,359	300.0	\$15,453	\$8,122	274.0	\$2,964	\$80,677	272.0	\$29,624	\$110,631	350.0	\$3,120	\$7	292.0	\$2	\$245,606
Legislative Audit	0	37	0	\$2,241	30.0	\$8,225	\$0	30.0	\$0	\$0	30.0	\$0	\$0	34.0	\$0	\$0	30.0	\$0	\$2,241
Courts	33,532	704	4,763	\$120,600	690.0	\$10,349	\$71,730	681.0	\$10,533	\$43,917	692.0	\$6,340	\$89,812	690.0	\$13,200	\$58,037	674.0	\$8,611	\$300,103
FISCAL YEAR TOTALS	9,117,734	16,516	\$50,763	\$8,088,985	14,272	\$50,678	\$7,792,924	14,182	\$54,949	\$6,822,043	14,210.0	\$46,601	\$6,788,572	13,785.0	\$49,304	\$8,220,861	8,888.0	\$59,706	\$37,521,305

Note: Work Comp FTEs taken from CORA

DOT FTEs do not include AMHS covered employees

**AMHS CREW COSTS Compared to
TOP 5 DEPARTMENTS
WORK COMP
CLAIM COSTS per 100 FTEs**

FISCAL YEAR	2002			2001			2000			1999			1998			TOTALS
	WC\$	FTEs	\$/100FTEs	WC\$	FTEs	\$/100FTEs	WC\$	FTEs	\$/100FTEs	WC\$	FTEs	\$/100FTEs	WC\$	FTEs	\$/100FTEs	
												655.2		570.1		
Other DOT	2,106,473	2629	80,125	2,189,897	2,433.0	90,008	1,266,154	2,377.0	53,267	1,281,569	1,706.8	75,086.1	1,146,418	1,759.9	65,141.1	\$7,990,511
DHSS	988,473	2459	40,198	800,966	2,365.0	33,867	1,022,922	2,365.0	43,253	407,626	2,098.0	19,429.3	902,172	2,047.0	44,072.9	\$4,122,159
CORRECTIONS	835,397	1473	56,714	813,498	1,460.0	55,719	568,300	1,368.0	41,548	543,641	1,362.0	39,914.9	850,620	1,358.0	62,637.7	\$3,611,638
ADMINISTRATION	1,710,592	1466	116,684	1,385,478	1,442.0	96,080	1,221,475	1,404.0	87,000	598,375	1,334.0	44,855.7	1,074,494	1,289.0	83,358.7	\$5,990,414
PUB SAFETY	1,701,367	764	222,692	705,222	745.0	94,661	387,568	727.0	53,311	759,591	766.0	99,163.3	353,608	746.0	47,400.6	\$3,907,356
(Top 5 Depts. Only) Work Comp Claims & FTEs (not Including AMHS)	7,342,303	8,791	516,413	5,895,061	8,445	69,805	4,466,499	8,241	54,199	\$3,590,802	7,266.8	49,413.8	\$4,327,313	7,199.9	60,102.4	\$26,621,972
COMBINED (5) YEAR TOTAL	\$25,621,977	39,943.7			5 YEAR AVERAGE		\$5,124,395.39	7,988.7						Top 5 Dept. Rate per 100 FTEs	\$64,145	
														AMHS Rate per 100 FTEs	\$197,065	

HB

169

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 169
(H) Publish Date: 3/5/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Charitable gaming tax BRU Revenue Operations
Component Tax Division
Sponsor Rules Committee
Requester Governor Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	125.0	125.0	125.0	125.0	125.0	125.0
Travel	15.0	15.0	15.0	15.0	15.0	15.0
Contractual	22.0	12.0	12.0	12.0	12.0	12.0
Supplies	3.0	3.0	3.0	3.0	3.0	3.0
Equipment	15.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	180.0	155.0	155.0	155.0	155.0	155.0

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

CHANGE IN REVENUES ()	11,500.0	12,500.0	12,500.0	12,500.0	12,500.0	12,500.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	180.0	155.0	155.0	155.0	155.0	155.0
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	180.0	155.0	155.0	155.0	155.0	155.0

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	2	2	2	2	2	2
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would increase the state's charitable gaming tax rate from 3 percent of ideal net on pull-tabs to 5 percent of ideal gross receipts for pull-tabs. This marks the first change in tax rates since 1988. This legislation the state tax rate on raffles, bingo and other charitable gaming.

The tax increase would take effect July 1, 2003. The Department of Revenue estimates the increase will generate \$12.5 million in additional state revenue for a full fiscal year, with approximately \$11.5 million in Fiscal 2004 because the state would receive the higher revenues for 11 months in the fiscal year. (Taxes are paid one month after sales for distributors on pull-tab games.)

See attached page for more information on the revenue and program costs.

Prepared by: Jeff Prather and Larry Meyers
Division: Tax Division
Approved by: Larry Persily, Deputy Commissioner
Agency: Department of Revenue

Phone 465-3410
Date/Time 3/5/03 2:10 PM
Date 3/5/2003

**Department of Revenue
Charitable Gaming Tax**

FN #1, HB 169, Page 2 of 2

Operating Expenditures

The Department of Revenue is requesting general fund program receipts to cover the cost of one Revenue Auditor III position and an Investigator III position. With such a large increase in taxes due the state (an estimated \$12.5 million per year), the department anticipates the need to strenuously verify the gross receipts that the new tax increase is based upon. A lack of sufficient staff to verify, audit and enforce the state's higher charitable gaming tax rate would exacerbate an already serious shortage in the state's enforcement effort.

The incidence of taxation under this legislation would be focused on gross receipts, an area that is possible for manipulation in an industry that is very cash oriented. These two new positions would focus on distributor-reporting practices and audits for the sale of pull-tab games. The projected annual salary cost for these new positions totals \$125,000.

The department is also requesting one-time Fiscal 2004 funding of \$15,000 for equipment and \$10,000 for start-up contractual costs.

Comparison to other states

The National Association of Fundraising Ticket Manufacturers 2001 Annual Report on the Charity Gaming in North America lists 34 states that tax pull-tabs and/or bingo. Four states have rates equal to or greater than 5% of gross receipts on pull-tabs, the two highest being Massachusetts and Oklahoma, both with a 10% tax on gross receipts.

Subject: Opposition to HB 169

Date: Thu, 27 Mar 2003 12:05:06 -0900

From: "Ricky Gease, Kenai CVB Executive Director" <Ricky.Gease@visitkenai.com>

To: <Representative_Tom_Anderson@legis.state.ak.us >, <josh_applebee@legis.state.ak.us>, <heather_beaty@legis.state.ak.us>, <julie_howard@legis.state.ak.us>

<?xml:namespace prefix = st1 ns = "urn:schemas-microsoft-com:office:smrttags" />March 27, 2003<?xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />

Dear Honorable Member of the Alaska State Legislature:

I write to you today on behalf of the Board of Directors of the Kenai Convention and Visitors Bureau, of which I am executive director. The Kenai CVB is a non-profit membership organization representing the visitor industry in the city of Kenai and the greater Kenai area. I am writing in regards to the proposal and clarification response from Governor Murkowski in regards to House Bill 169 and Senate 102. The administration's proposal will change the formula on taxation and the "pay-back" rate, or return to players in prizes. The proposed changes would 1) shift the tax system from net receipts, or real money, to "ideal gross", or Monopoly money, and 2) shift the free market rate of "pay-backs" to an artificial limit not related to market conditions.

These proposals, in my opinion, would fundamentally cripple charitable gaming in Alaska and cause many non-profits to go bankrupt. Currently, the state taxes net receipts at 4% (3% quarterly and 1% annually). Net receipts, or total receipts minus prizes awarded to players, for pull-tabs in Alaska last year were about \$60 million. The state took in about \$2.4 million in taxes, and spent about \$700,000 to administer the program. Charitable gaming is an income source for the state of Alaska. For every dollar in administrative costs, the state gets back about \$2.50.

The administration proposes to fundamentally change the tax structure of charitable gaming, from net receipts to a new concept called "ideal gross", from real money to Monopoly money. Ideal gross would be defined as the total value of all pull-tabs sold. Last year in Alaska the value of all pull-tabs sold was \$274 million, with \$214 million, or 78%, awarded in prizes. The administration proposes to tax the "ideal gross" at 5% and impose an artificial cap on the pay-back rate at 72%. Both proposals fail business and government logic 101 and must be emphatically put to rest.

For example, a person can buy \$20 in pull-tabs, and on average get back about \$16 in prizes and "one-dollar" playback cards. The person takes the \$16 in prize money and playbacks, buys \$16 in pull-tabs and gets \$13 back in prizes and playbacks, and so on. Eventually, the person runs out the initial \$20 and in the process will go through about \$100 in pull-tabs. Now, the person has only spent \$20 in real money, the net receipts, even though they have gone through \$100 in the Monopoly money of prizes and

playbacks.

The administration proposes to first tax the Monopoly money and then reduces the amount of Monopoly money players get to play with. Everything would be OK if charities could pay their taxes with Monopoly money, but the administration also puts in the stipulation that we must pay our taxes with real money.

A fundamental business 101 flaw in the proposal is the assumption that by imposing a less rewarding and more costly game, real people will spend more real money on an inferior game that no longer primarily benefits charities. A fundamental concept of business is that if you raise prices and put out an inferior product, sales will decrease, at least according to the capitalism business model that I hope the current Republican administration follows and supports while in office. The administration proposes that real money spending will increase about 30% from the current rate of \$60 million to a projected \$77 million. There is no indication that in war-time and a recession people's spending habits will suddenly change and increase because of a new tax imposed on charitable gaming.

Another fundamental of a capitalism business model is that taxes do not change the basic expense of doing business. In the administration's projection, there is the faulty assumption that real money spent on business expenses as a percentage of net receipts (real money) will magically drop about 13%. If you add a \$10 to each studded tire, does the cost of producing the tire drop 13%? If you add 12 cents a gallon on fuel tax, does the cost of producing the gas drop 13%? The administration proposes that business expenses for charitable gaming will magically drop from 58% to 45%. Again, the proposal defies common business logic: taxes do not lower the cost of doing business. If it did, we would not be practicing free market economics, but red market economics.

Under the administration's proposal, the best case scenario would likely be as follows:

People continue to spend \$60 million in real money on pull-tabs.

Business expenses continue to hold at 58%, or \$35 million.

The ideal gross falls from \$274 million (78% payback rate) to \$253 million (72% payback rate).

The state collects \$13 million in taxes (5% of the ideal gross), an increase of over 400% in taxes.

Revenues to charities drop almost in half, from \$23 million to \$12 million.

The bottom line to non-profit businesses is that they will lose half their revenues from charitable gaming. The proposal will cripple many such businesses. There is no other revenue proposal from the

administration that targets 50% of the profits from business. The proposals from the administration on charitable gaming are a fundamental assault on free market principles.

The current tax system for charitable gaming is based on reality: real money, real expenses, real net profits, real taxes. In our case at the Kenai Convention and Visitors Bureau, in 2002 we had about \$140,000 net receipts (real money) from \$645,000 pull tab sales (Monopoly money), \$82,000 in real expenses, \$58,000 in real revenues and \$5,600 in real taxes. If you must tweak the tax code for charitable gaming in an effort to raise more revenue for the state, raise the quarterly gaming tax rate on net receipts from 3% to 5%. This modest change in the tax rate can be absorbed by non-profit businesses. Such a change would have meant in 2002 that we paid an additional \$2,800 in taxes to the state. Under the administration's proposal for taxing ideal gross, we would have had to pay \$32,000 in taxes (5% of \$645,000), an increase of nearly 600%!

Alaska will not solve its fiscal gap by taxing its non-profit businesses into bankruptcy. The non-profit business sector is a vital and important component of the overall economic landscape of Alaska. The Governor is right when he states that as a family of Alaskans, we have tough decisions to make at this time. However, the decision concerning House Bill 169 and Senate Bill 102 is a no-brainer: gut these bills before they gut Alaska's charities.

Sincerely,

Ricky Gease

Executive Director, Kenai CVB

Alaska 2003: A Celebration of Wildlife Art
May 1 - September 6, 2003
Kenai Visitors and Cultural Center
Kenai Alaska 99611
907- 283 -1991

AMENDMENT

OFFERED IN THE SENATE
LABOR AND COMMERCE COMMITTEE

BY

TO: SB 102

1 Page 1, line 2:

2 Following "activities":

3 Insert "and establishing a pull-tab series prize limit"

4

5 Page 2, following line 13:

6 Insert a new bill section to read:

7 **** Sec. 5. AS 05.15.187 is amended by adding a new subsection to read:**

8 (j) The ideal net of a pull-tab series sold in the state may not be less than
9 28 percent of ideal gross."

10

11 Renumber the following bill sections accordingly.

12

13 Page 2, line 24:

14 Delete "sec. 9"

15 Insert "sec. 11"

16

17 Page 2, line 27:

18 Delete "secs. 1 - 6"

19 Insert "secs. 1 - 7"

20

21 Page 2, following line 27:

22 Insert a new bill section to read:

1 ** Sec. 9. The uncodified law of the State of Alaska is amended by adding a new
2 section to read:

3 UNSOLD PULL-TAB STOCK. Notwithstanding contrary provisions of
4 AS 05.15.187(j), enacted by sec. 5 of this Act, a charitable gaming permittee, vendor, or
5 operator may sell pull-tabs from a series that offers total prizes in excess of 72 percent of
6 ideal gross on or after July 1, 2003, and until September 30, 2003, if the pull-tabs were in
7 the state before July 1, 2003."

8

9 Renumber the following bill sections accordingly.

10

11 Page 2, line 28:

12 Delete "sec. 9"

13 insert "sec. 11"

14

15 Delete "sec. 7"

16 Insert "sec. 8"

17

18 Page 2, line 30:

19 Delete "sec. 8"

20 Insert "sec. 10"

Subject: Vote no on HB169

Date: Sat, 29 Mar 2003 13:03:37 -0500

From: "Douglas James McBride" <dmcbride@nyc.rr.com>

To: <representative_tom_anderson@legis.state.ak.us>

Dear Representative:

Please do not vote for HB169. It is wrong and will harm Charities. The 28% Minimum Ideal Net Requirement will devastate Charities. Players will stop playing in droves. Overall revenue will plummet. Please do not vote for HB169.

Just ask yourself this question. When can any revenue raising enterprise (profit or non-profit) raise prices and not have revenues drop. The 28% Ideal Net Minimum is a price increase on the players. Charities must be able to adjust the Ideal Net as the market requires. You cannot dictate prices. Players will simply spend their entertainment dollars elsewhere if you raise prices on them.

Please Vote NO on HB169.

Doug McBride

NATIONAL ASSOCIATION OF FUNDRAISING TICKET MANUFACTURERS

246 Iris Park Place
1885 University Avenue West
St. Paul, Minnesota 55104

Phone: 651.644.4710 Fax 651.644.5904
www.naftm.org

March 24, 2003

Joe Koss
Revenue Auditor
Alaska Department of Revenue
Tax Division, Gaming Unit
P.O. Box 110420
Juneau, AK 99811-0420

By E-mail and U.S Mail

Dear Mr. Koss:

I am writing in response to your inquiry regarding prize limitations and pay-out restrictions on pull-tab games in the United States. I will try to respond to your questions as you have asked them.

Most states that regulate charity gaming have limitations on prizes. The vast majority of states limit the prize that may be awarded on individual tickets. In the last five years or so, that amount has slightly increased so that the average prize limit is now about \$500. The states with limits of \$500 are: Alaska, Illinois, Louisiana, New Jersey, New York, North Dakota, Pennsylvania, Virginia and Washington. Kentucky and Minnesota permit prizes of \$599. Two states limit winners to \$1000. They are West Virginia and Nebraska. Texas has a \$750 limit and California and Mississippi have limits of \$250. Indiana has a limit of \$300 (but there is legislation that would increase that amount to \$599).

Only a few states impose cumulative prize limits in addition to the individual ticket prize limits. In addition to Alaska, Indiana has a limit of \$2000 per game (but legislation would increase that to \$4000). New York has a per game limit of \$3000 and Illinois a daily limit of \$5000.

Many states have minimum prize pay-out requirements. Kansas, Missouri, Oklahoma, and Washington permit only games that pay-out a minimum of 60%. Nebraska, New Jersey, Pennsylvania, and Texas permit 65% and New Hampshire 45%. I was not aware of any state that imposed a maximum prize pay-out, but recently discovered that Nebraska has a maximum prize pay-out of 80%.

In my experience in dealing with charity gaming around the country, I have learned that states do not impose maximum pay-out limits for a couple of reasons. First, there is a general understanding that pay-out limits depress receipts and hence, the taxes that states hope to collect off of the activity. Minnesota, for example, has the highest gross receipts for pull-tabs in the country, about \$1.3 billion. The average prize pay-out here is also the highest at about 82.2%. The state collects \$55 million in taxes at a rate of 1.7% on pull-tab

gross receipts as well as a "combined receipts tax" on a graduated scale on receipts over \$500,000. However, when the combined receipts tax was implemented in 1989, the growth of pull-tab sales stopped and charities found that their net receipts were reduced dramatically due to the need to reduce prize pay-outs to compensate for the tax. For example, one charity I am familiar with reduced its prize pay-out from 86% to 80% to compensate for the combined receipts tax. Monthly deposits (adjusted gross receipts) decreased by slightly more than 50%! This occurred, when in theory, the lesser amount of prizes should have increased the adjusted gross receipts. The opposite affect occurred because the level of play decreased.

States also do not limit pay-out because it stifles the ability of the charity operator to be flexible in the games that are played. While an operator may not be able to play all games with pay-outs of 80% or more, the operator needs to have a few of those games in play to keep the players interested. In other words, maximum pay-outs suppress play, reduce gross receipts and negatively affect the profits that are available for charity.

An example of this might be North Dakota. Like Alaska, North Dakota allows pull-tabs to be sold in bars and has no significant gaming competition (although a lottery was just approved by the voters at the last election). In 1993 the excise tax on pull-tabs was 2% of the gross receipts. During the 1993 legislative session, that tax was increased to 4.5% of gross receipts. The tax went into effect later that year. In 1994, gross receipts from pull-tabs were \$202,612,503. The average prize pay-out was 80% and the taxes collected were \$12,945,936 (this was total taxes on all charity gaming, not just pull-tabs, but pull-tabs constituted the greater portion of the receipts).

Each successive year saw gross receipts decrease, pay-out percentages decrease and tax collections decrease. By 1998, gross receipts for pull-tabs were \$176,480 and tax collections were reduced to \$10,817,764. In 2001, gross receipts were even lower at \$160,634,211. Taxes, on the other hand, increased somewhat to \$12,359,653 (less than the 1994 level, but more than the previous few years). The Attorney General's Office suggests that the increased tax amount is probably due to the fact that the smaller charities have had to go out of business, leaving only the larger charities in operation, which pay a tax at the higher percentage.

Oklahoma is another example of how excessive taxation has limited pull-tab sales. Since the legalization of pull-tabs, Oklahoma has imposed a tax of 10% on the gross receipts of each game. Gross receipts for pull-tabs in 2001 were \$4,594,693, despite nearly \$100 million dollars in bingo activity. Pull-tabs are not played in Oklahoma because the charity operators cannot afford the tax. The prize pay-out has to be so low, that no players are interested in playing the games. Hence, the charities do not make money.

Our annual report lists the tax rates for various states. Besides Oklahoma, Massachusetts has a 10% tax, but Massachusetts limits the sales of pull-tabs and specifies by contract what the game specifications must be. Illinois has a 5% tax on the gross receipts of pull-tabs, but that tax has spawned a staggering amount of "raffle" games. In other words, due to a loophole in the law, charities are playing "raffles" (which are not subject to the tax and are essentially unregulated) in lieu of pull-tabs largely to avoid payment of the tax. Washington has a 5% tax on the commercial pull-tab activity (bars sell the tickets for profit as a commercial stimulant), but only a tax of 10% of the net for the same charity activity. I mention this because I know that you are looking at the NAFTM report for information, and I want to make sure that to the extent possible, you can compare apples to apples.

I know that the legislature is considering increasing the tax on pull-tabs to 5% of the gross receipts. I also know that there is some discussion about capping prize pay-outs at

72% to compensate for the increased tax. I hope that the above information will help you better assess the possible consequences of such action. It is difficult to give you definitive comparisons because no other state has imposed a prize pay-out cap so much lower than the norm. Although our report indicates overall prizes at 73%, it is important to remember that such a figure encompasses all charity gaming (bingo, raffles, charity game nights and pull-tabs), some of which have, on the average, lower average prize pay-outs than pull-tabs.

I would be happy to provide additional information to you in the future. Please feel free to contact me again.

Very truly yours,

Mary B. Magnuson

Subject: H. B. 169

Date: Mon, 31 Mar 2003 11:11:40 EST

From: Rogerfranke@aol.com


To: Josh_Applebee@legis.state.ak.us

Josh,

I am attaching, I hope, a letter that was sent by NAFTA's Counsel in response to a request for information from the Department of Revenue. Our counsel is unavailable this evening, my time; so I will be calling 888/263-1555 at approximately 6:30 P. M. to participate. The contents of the letter contain the information NAFTA feels addresses the issue in the proposed legislation. Clearly, we see this proposal as an effort that has been tried in other states with no positive and mostly negative results.

Now, if my computer skills are adequate, I will attach the letter and forward it to you. Please acknowledge the receipt of both this message and the letter. If my computer skills are inadequate, send me your fax number and I will fax the letter to you.

Roger Franke, President
NAFTM

| | |
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Type: WINWORD File (application/msword)
Encoding: base64
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March 29, 2003

Dear Committee Member

I am opposed to HB 169.

The concept of charitable gaming was to allow charities and non-profits to have access to a source of funds not available to the state and to use those funds to provide services that the state cannot and will not provide.

Our non-profit put all of it's proceeds back into our community, which is a substantial amount. We help the needy, the sick, we support educational pursuits for our kids and generally enhance our community, and it's all-volunteer.

The 5% Gross Receipts Tax will take from the Charities 37% of all money raised by Charities and used to help those in need (\$11,500,00 of all the Charities \$30,800,000) (using 2001 data, which is the most recent year available)

If HB 169 is passed we will loose these funds. We won't be able to buy as many new winter coats for needy children, we won't be able to buy medication for the sick person whose Medicaid hasn't kicked in, aid in eye care, help with rent for the medically ill or injured, who can't work because the are rehabilitating, help the Boy Scouts, the Youth Orchestra, AASG, the High School Auto Shop, and on and on. Any legislation that promotes taking money from charities is ludicrous.

I am also opposed to the Governors "clarification" as it does nothing to improve the situation, less payout to player's means less people playing.

Please carefully research Alaska's gaming issues and do not let this legislation pass.

Debra Hall
Lions Club
Kodiak, AK
9074862550
d.m.hall@att.net

To:

Governor Frank Murkowski

Senator Con Bunde
Senator John Cowdery
Senator Bettye Davis
Senator Fred Dyson
Senator Johnny Ellis
Senator Kim Elton
Senator Hollis French
Senator Lyda Green
Senator Gretchen Guess
Senator Lyman Hoffman
Senator Georgianna Lincoln
Senator Scott Ogan
Senator Donny Olson
Senator Ralph Seekins
Senator Ben Stevens
Senator Gary Stevens
Senator Robin Taylor
Senator Gene Therriault
Senator Thomas Wagoner
Senator Gary Wilkon

Representative Tom Anderson
Representative Ethan Berkowitz
Representative Mike Chenault
Representative Sharon Cisano
Representative John Coghill
Representative Harry Crawford
Representative Eric Croft
Representative Nancy Dahlstrom
Representative Hugh "Bud" Fate
Representative Richard Foster
Representative Les Gara
Representative Carl Gatto
Representative Max Gruenberg
Representative David Guttenberg
Representative John Harris
Representative Mike Hawker
Representative Cheryl Heinze
Representative Jim Holm
Representative Reggie Joule
Representative Mary Kapner

Representative Beth Kerrtula
Representative Vic Kohring
Representative Albert Kookesh
Representative Pete Kott
Representative Bob Lynn
Representative Beverly Masek
Representative Lesil McGuire
Representative Kevin Meyer
Representative Carl Morgan
Representative Carl Moses
Representative Norman Rokeberg
Representative Ralph Samuels
Representative Paul Seaton
Representative Bill Stoltze
Representative Bruce Weyhrauch
Representative Jim Whitaker
Representative Bill Williams
Representative Peggy Wilson
Representative Kelly Wolf

Mr. Larry Meyers (Gaming Unit)
Mr. Jeff Prather (Gaming Unit)

From: Pete Svendgard
International Gamco, Inc.

Date: March 25, 2003

Re: Voice our Strong Opposition to the 28% Minimum Ideal Net Requirement and the 5% Gross Proceed Tax in SB102 and HB169

I represent International Gamco, Inc and GameTec, two of the licensed pulltab suppliers to Alaskan pulltab distributors. Our experience as a national manufacturer and supplier of pulltab tickets gives us knowledge about pulltabs and pulltab markets that allows us to render an expert opinion on the provisions of SB102 and HB169.

We believe that the 28% Minimum Ideal Net requirement and the 5% Gross Proceeds Tax will cause a significant reduction in the amount of money that Alaskan charities will be able to raise. We also believe that the proposed tax will not result in a significant increase in tax revenue to the State of Alaska. In fact, we believe that the 28% ideal net requirement will drive players away from pulltabs in such volume that fewer tax dollars will be collected even with the new taxation rate.

The strongest markets in today's charitable gaming industry are those that allow for a high percentage of the proceeds (78%+) to be paid back to the player by way of prizes.

Additionally, experience teaches us that gross proceed taxes, such as the proposed 5% Gross Proceeds Tax, cannot be "added on" to the price of pulltabs like other sales taxes. Instead the 5% Gross Proceeds Tax must be "paid" by reducing the charities' net proceeds. As discussed above, increasing the Ideal Net (making the pulltab player pay the price increase) cannot be relied upon to absorb the price increase because player participation will decrease as the cost to play pulltabs increases. Accordingly, the Charities will pay a significant portion of the 5% Gross Proceeds Tax out of the Charities' Net Proceeds.

Pulltabs like all entertainment products are subject to a market economy. If the Charities are free to set the Ideal Net as market conditions dictate, the Charities will increase or decrease the Ideal Net to maximize return to the Charities. In our opinion, the way to maximize the Charities return is to let the market dictate Ideal Net and leave the Charities the option to raise or lower Ideal Net as market conditions require.

Respectfully Yours,

Pete Svendgard
Director of Marketing
International Gamco, Inc.
GameTec



Alaska Fire Chief's Association

231 South Binkley • Soldotna, Alaska 99669 • (907) 262-4792 • Fax (907) 262-5770

TESTIMONY ON HB 169

My name is Len Malmquist, and I am the Secretary/Treasurer for the Alaska Fire Chiefs Association. The Alaska Fire Chiefs Association (AFCA) has a gaming permit in Kenai, Alaska at the Diamond Rose. When we applied for our permit, we listed the following activities to be funded from our charitable gaming activities: to provide funding for the Alaska Fire Standards Council; to provide educational assistance to any department unable to attend training due to lack of funds; to educate the Chief Officers in the fire service in Alaska; and to provide public education on fire concerns to the citizens of Alaska.

None of the activities listed above are funded by the federal, state or local government. The same rationale can be used by all of the charities that receive funding from gaming activities in Alaska. Each of these charities provides vital funding for programs that cannot be funded in any other manner. Loss of funding, at any level, will severely impact the ability of all charities in delivering these programs.

HB 169, and the companion bill in the Senate, WILL impact the funds generated by the charities. If you decide to raise the percentage of state tax on the sale of games from the current 3% of net to 5% of gross, this will mean a substantial cut in the profits that could be received by the charity. If you decide to mandate that all pull tab games must not exceed a payout of 72%, then most players will either curtail their gaming activity substantially due to lessening the chance of winning – or some will not game at all. This too will reduce the profits to the charities. Other impacts of the proposed legislation include the loss of distributors of pull-tab games, the closing of many parlors due to loss of customers, and the loss of permits as many operators and charities will not be able to meet the mandated percentages outlined in gaming regulations.

Gaming regulations were completely overhauled last year, and new regulations went into effect January 1, 2003. This was the direct result of many meetings where the state and the impacted parties worked out difficulties. The process was beneficial to all parties. HB 169 is coming out of the blue, and no attempt has been made to let the impacted parties have input. The bill as currently written will have negative impacts on all of the charities that use gaming funds to provide programs not being offered anywhere else.

If you have any questions regarding this testimony, I can be contacted at (907)262-7375. Thank you for allowing me the opportunity to discuss my concerns with you.

Len A. Malmquist



Alaska State Legislature

Please enter into the record my testimony to the House Labor & Commerce
committee name

Committee on HB 169 Charitable Gaming Revenue, dated March 31, 2003
bill # / subject public hearing date

I have been involved with gaming / pull tabs for 10 years as manager of the Veterans of Foreign Wars (VFW) Post 10046 in Soldotna, AK. We are a non-profit / fraternal organization that uses our gaming proceeds for community service, Veterans assistance, scholarships, sponsorship for a wide variety of school activities, support of our Color Guard and its activities, donations of flags and patriotic activities and much, much more.

The proposed new taxation and limitation that is proposed would greatly reduce (if not eliminate) our ability to perform our community assistance programs.

We are a small business that relies heavily on our gaming proceeds to operate. Do not confuse us with the big gaming parlors or operators who are making the big bucks and do not provide the community assistance that we do. Our community relies on our assistance! Do not make the mistake

Signed: Sue Singleton (SUE SINGLETON)
Title

VETERANS OF FOREIGN WARS POST 10046
Representing (optional)

134 N. Birch St. Soldotna, AK 99669
Address

907-262-2722
Phone number

Continued from page 1

of putting us in the same category as these big gaming parlors and operators. Do not limit us in the size or profit of games. We run small, low profit games and limitation by your legislation will drastically change our business for the worse.

Joe Singleton -

manager - UFW POST 10046

134 N. BIRCH

SOLDOTNA, AK

99669

907-262-2722

03-30-03 09:49 TO:VFW 10046

FROM:907 283 3075

P02



Alaska State Legislature

Please enter into the record my testimony to the House Labor & Commerce
committee name

Committee on HB 169 Charitable Gaming Revenue, dated March 31, 2003
bill # / subject public hearing date

SEE ATTACHED TESTIMONY

Signed: Sen. A. Malmquist LEN A. MALMQUIST
Testifier

ALASKA FIRE CHIEFS ASSOCIATION
Representing (optional)

231 S. BINKLEY ST. SELDOTNA, AK 99669
Address

(907) 262-7375
Phone number

To: Alaska Legislators

Fr: Whaler Casino Supply

Re: HB169, SB102

Gentleman,

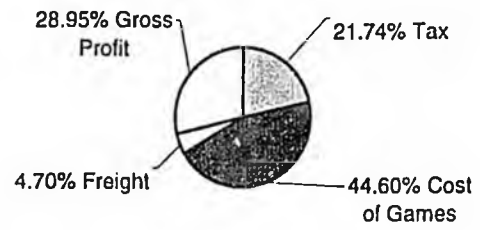
On behalf of Distributors for charitable gaming in the state of Alaska, I strongly am opposed to HB169 and SB102. If passed in their current form I will most likely be out of business immediately. Please remove these bills, or revise to accommodate the distributors.

Thank you,

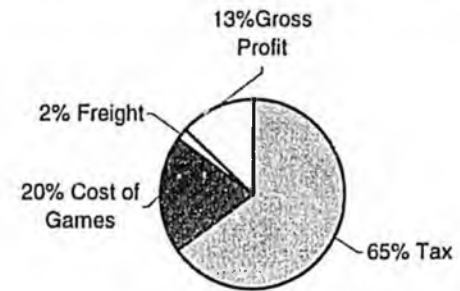
Jim Peot
General Manager
Whaler Casino Supply

- If SB102 is passed Distributors will be collecting and paying to the state 6.5 times what is currently being collected (That's right, a 650% increase!!!!).
- Currently, the gaming tax is 21.7% of our gross tab sales. With this new bill, we will be collecting and paying 65% of our gross sales to the state.
- This really results in Distributorships requiring an increase from \$20,000/\$30,000 per month in a float to \$130,000 to \$195,000 per month (Total tax collected and paid to the state monthly). We view this proposal as totally unpractical.

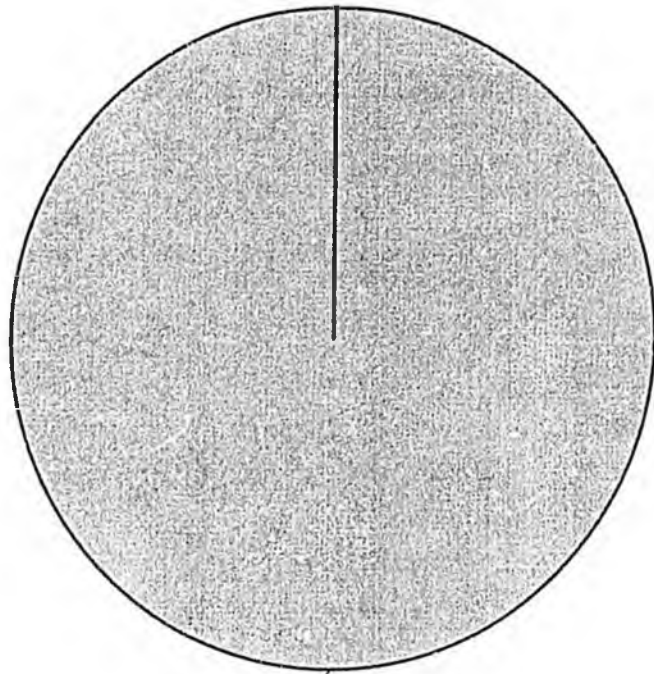
**Current Gross Pull Tab Revenue Distribution
WCS as a % of Gross Sales**



**Proposed Gross Pull tab Revenue
Distribution WCS as a % of Gross Sales**



Current Operator Revenue Distribution



03/13/03

Labor and Commerce Committee

Members of the Committee,

The proposed tax in HB169/SB102 if adopted in its current form will force the self-directed gaming operations of the organizations I represent before you today into bankruptcy.

Bellow is our **current situation** for each pull-tab we sell:

\$ 1.00 = one pull tab
\$.80 = our prize paid out (the winning pull tabs)
= \$.20 = our adjusted gross income

Revenue taken from that \$.20 (our adjusted gross income)

30.5% = \$.061 = charitable proceeds*
25% = \$.05 = our sales tax liability to the local municipality
18.5 % = \$.037 = our payroll cost (2 positions full time, 2 positions ¼ time)
13% = \$.026 = our cost for that single pull tab
10% = \$.02 = our fixed costs rent utilities permit fees etc.
3% = \$.006 = our current 3% State ideal net tax
= 100% = \$.20 = our total adjusted gross income

***Note:** Current state law requires that at least 30 % of the adjusted gross income be used for charitable proceeds and no more than 70% of the adjusted gross income be used for gaming expenses.

Bellow is our **situation if HB169/SB102 are passed**

\$ 1.00 = one pull tab
\$.80 = our prize paid out (the winning pull tabs)
= \$.20 = our adjusted gross income

Revenue taken from that \$.20 (our adjusted gross income)

8.5% = \$.017 = charitable proceeds*
25% = \$.05 = **Proposed 5% gross Tax (fce) under HB169/SB102**
25% = \$.05 = our sales tax liability to the local municipality
18.5 % = \$.037 = our payroll cost (2 positions full time, 2 positions ¼ time)
13% = \$.026 = our cost for that single pull tab
10% = \$.02 = our fixed costs rent utilities permit fees etc.
= 100% = \$.20 = our total adjusted gross income

***This scenario will put us out of compliance with state law**

You may ask yourselves several questions;

Q: Why don't you pass the sales tax along to the customer?

A: This was tried with disastrous results, as the pace and of gaming was frustrated and as a result gross revenues dropped 60% and we had no choice but to absorb the tax. Imagine if you will every time someone exchanges a playback the oil that runs all gaming (the small winning tickets \$ 1, \$2, \$5, \$10 winners) they had to reach for small change in their pocket or receive change. These transactions take place in seconds. This logistical senero of passing along a tax to the consumer is frankly impossible. Believe me if we could pass the sales tax along we would have been doing so since its inception.

Q: Are your expenses higher than other types of business?

A: No in fact I challenge you to find another business in the State that that returns 30.5% profit while absorbing a 28% tax burden. (25% sales tax 3% state ideal net tax)

Q: How can we create an equitable tax structure on gaming State wide, while making sure we have proper regulation and no profiteering? Thus insuring the permit holders receive the maximum possible return.

A: 1. Outlaw local sales taxation on charitable gaming. (***This plan will only work with the passage of legislation that would outlaw local taxation***)

2. Increase the current 3% ideal net tax to 20% on pull-tabs.

3. Create an ideal net tax on bingo paper

3. Split that revenue generated with the local municipalities 50%/50%

4. Use 1% of the additional revenue the state will be receiving to step up enforcement of gaming regulations. Deposit the rest not split with the local municipalities in the general fund.

5. License all management (not just operators) involved in gaming and revoke those licenses if the permits they manage do not return the state mandated minimums.

6. Increase the mandated minimums on operators to prevent profiteering.

7. Make the distributors confidentially reveal their net yearly profit to the State and tax any percentage profit exceeding 40%.

8. Prevent "ghost charities" those charities that only exist on paper from being allowed gaming permits by strengthening the requirements for qualification.

I would like to extend a detailed inspection of our books to you or your staff. Please also feel free to talk with the current regulators, members of our community, or anyone else you may think has input regarding our past performance and ethics in the endeavor of charitable gaming. HB169/SB102 in their current form will without question bankrupt the gaming operations of the organizations I represent. This will force them out on the

streets or to the public trough to make up for that lost revenue. I am certain this is not the Governor's intention with this proposed legislation.

Sincerely,

David. D. Sauden
Primary Member in Charge of Gaming
Juneau Montessori Center
Southeast Alaska Friends Of the Montessori
Juneau Dance Unlimited
I can be reached @ 364-2890 790-2198 or paged @ 463-7654
750 St. Ann's Ave
Douglas, AK 99824

03/25/03
Office of the Governor
Department of Revenue
Administrative Staff regarding SB102

Sustainable Gaming Tax

I propose that the current "3% ideal net tax" on pull tabs currently in place and collected by the distributors be increased to 20%. In addition the state create a "bingo paper tax" at a rate of 5-to10% of the mean state wide adjusted gross income average per bingo sheet sold. These collected taxes will then be split with the local municipalities state wide based on where the revenues were generated on a 50% / 50% basis.

The state consults with the local municipalities and outlaws any local taxation on gaming including sales tax currently in place or in the future. In return the state agrees to fairly distribute its collected tax on gaming. (This is critical to ensure a stable platform of taxation and collection statewide)

* I am certain that the Legislators and the Governor are resistant to tell the local municipalities how they can tax. However, I am certain that the municipalities will see the benefits of a stable gaming tax platform and insured collection. I recently met with Juneau's Finance Department, Law Department, and Sales Tax Office. They were receptive and willing to consider the merits of a statewide tax and a stable sustainable tax system. Only Juneau and a few other communities currently force gaming interests to absorb a sales tax.

This new concept will rightfully include all of the local municipalities and rural communities not currently in the gaming revenue stream a stake and proportion of the receipts while creating a more stable platform for the communities that currently tax gaming.

* I am certain this sustainable revenue source will be welcomed in these critical times.

The State amends the statutes to require revenue and tax reporting based on municipal and regional boundaries (This encourages local permit holders to derive their proceeds locally, and prevents complete extraction of proceeds raised in one community and spent in another).

Increase the mandated minimums (as is put forth in SB102) imposed on "Operators". This will prevent profiteering and help insure Charitable Gaming remains "Charitable". Currently "Self Directed" and "MBP" managers are held directly responsible to the organizations they represent. However, in the realm of "Operators" if the permit holders do not tow the line they can be simply replaced by the "Operator" with another permit holder.

The State should also license all management involved in gaming and create strict standards of financial performance and accountability. This would provide a valuable tool to the regulators. Currently and historically poor management has gotten one permit holder into trouble and simply walked down the street to work for another and the cycle continues. This could be avoided with licensing.

The State must regain control of who is allowed to participate in "Charitable Gaming". The current regulations are much too lax and have led to countless "ghost charities" that simply exist on paper to benefit their respective members with little or no greater community purpose. I would suggest that the state outlaw the use of gaming proceeds for salaries and dual use equipment that can be used for personal gain.

I understand the State's desire to increase taxation on gaming. However, SB102 is off on the wrong foot with its "ideal gross" concept as well as the amendment to cap the paid out percentage at 72%. The "ideal gross" concept will limit and hinder future tax adjustments and is a distortion of the actual revenues received through the process of gaming. The "72% paid out concept" will distort the marketplace and drastically retard gross sales.

Gaming should and can be taxed in a sustainable fashion that demands accountability. I am certain that many in this industry will claim the "sky is falling"; however, I am certain there is both purpose and reason for taxation. I would ask you give my ideas serious consideration. I would be more than pleased to help with the nuts and bolts of getting an amended bill in front of the Labor and Commerce Committee. The logic, as well as the pro's and con's of the ideas I put forth are with a calm sense of experience in this industry over many years. I am certain this is an excellent opportunity for the State to strengthen accountability as well as derive revenue from this industry.

I look forward to continued communication and commitment to improve the process of Charitable Gaming statewide.

Sincerely,

David Sanden
Primary Member In Charge of Gaming
Juneau Montessori Center
Southeast Alaska Friends of the Montessori
Juneau Dance Unlimited
I can be reached @ 364-2890; 790-2198; or pager 463-7654

HB

184

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SSHB 184
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Community & Economic Development
 Title Individual Deferred Annuities BRU Insurance (116)
 Component Insurance
 Sponsor Representative Coghill
 Requester House Labor & Commerce Component No. 354

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 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 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)

Any cost to enforce the provision on insurers would be absorbed within existing division resources.

Prepared by: Linda S. Hall, Director Phone 269-7900
 Division: Division of Insurance Date/Time 4/1/03 5:18 PM
 Approved by: Edgar Blatchford, Commissioner Date 4/1/2003
 Agency: Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 184
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
 Title "An Act relating to individual deferred annuities; . . ." BRU Civil Division
 Component Fair Business Practices
 Sponsor Representative Coghill
 Requester House Labor and Commerce Committee Component No. 2206

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|------------|------------|------------|------------|------------|------------|
| 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 (FY2003) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This bill changes the interest rate used in determining the minimum nonforfeiture amount for certain deferred annuities from three percent to one and a half percent.

Passage of this legislation will have no fiscal impact on the Department of Law.

Prepared by: Joan M. Kasson Phone (907) 465-5370
 Division: Attorney General's Office Date/Time 3/28/03 2:45 PM
 Approved by: Joan M. Kasson for Gregg D. Renkes, Attorney General Date 3/28/2003
 Agency: Department of Law

AMENDMENT

OFFERED IN THE HOUSE
TO: SSHB 184

BY REPRESENTATIVE COGHILL

- 1 Page 2, line 13:
- 2 Delete "an additional period"
- 3 Insert "additional periods"

ADOPTED

AMENDMENT 2

OFFERED IN THE HOUSE
TO: SSHB 184

BY REPRESENTATIVE COGHILL

1 Page 2, following line 29:

2 Insert a new bill section to read:

3 "* Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 TRANSITION PERIOD FOR ANNUITY CONTRACTS; APPLICABILITY OF
6 ACT. During the period that begins on the effective date of this Act and ends on the day
7 before the date that is two years after the effective date of this Act, this Act applies to an
8 annuity contract when the contract form for that annuity is approved by the director of the
9 division of insurance. For an annuity contract not otherwise affected by this section, this Act
10 applies to annuity contracts beginning on the date that is two years after the effective date of
11 this Act."

12

13 Renumber the following bill section accordingly.

LEGAL SERVICES

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

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

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

MEMORANDUM

April 1, 2003

SUBJECT: Individual deferred annuities (SSHB 184)

TO: Representative John Coghill
Attn: Willow

FROM: Michael F. Ford *M.F.*
Legislative Counsel

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

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Amends the standard nonforfeiture law for individual deferred annuities by changing the minimum nonforfeiture amounts as specified in paragraphs (1) - (4) of this subsection. Under (c)(1) the minimum nonforfeiture amount any time at or before commencement of annuity payment is defined. Under (c)(2) the interest rate used in determining the minimum nonforfeiture amount is defined. Under (c)(3) the rules applicable to participation in an equity indexed benefit are defined. Under (c)(4) the director of the division of insurance can provide by regulation for further adjustments for certain annuity contracts.

Section 2. Effective date.

MFF:lmb
03-123.lmb

ALASKA STATE HOUSE OF REPRESENTATIVES

Interim Address:

3044 Badger Road, Suite 290
North Pole, AK 99705
(907)-488-5725
Fax# (907)-488-4721



Session Contact:
(907)-465-3719
FAX# (907)-465-3258
State Capitol
Room 204

REPRESENTATIVE JOHN COGHILL **MAJORITY LEADER**

Sponsor Statement **HB 184 – Deferred Annuity Products**

HB 184 is an act relating to individual deferred annuity products that are regulated by the Alaska Division of Insurance under Alaska insurance statutes. The current economic trends and the corresponding drop in market interest rates prompts the need for this legislation. Specifically, the proposed insurance code revision deals with guaranteed minimum interest rates that determine minimum values holders of a fixed annuity product must receive upon policy surrender. This law would provide two basic essential provisions: **1. Give companies relief in times of low interest rates and 2. Provide an appropriate minimum guarantee for the consumer.**

As originally introduced, the bill would have simply reduced the guaranteed minimum interest rate to 1.5 % from the current 3% rate. This reduction reflects the decline of yields on fixed investments that have occurred over the last two years, and presented a practical short-term response to this problem that over 16 states have already addressed and adopted.

Even with the declining rates, fixed annuities present an attractive choice for millions of conservative, long-term investors—increasingly so as equity markets continue to produce losses or weak returns. The 1.5% figure would have made these products continually viable and available.

The National Association of Insurance Commissioners (NAIC) has been working on a long-term solution to the problem, and recently adopted The Standard Nonforfeiture Law for Individual Deferred Annuities. The revised version of HB 184 reflects that long-term solution. The model act has gained broad support among regulators and the insurance industry.

Subject: HB 184 - Individual Deferred Annuities

Date: Thu, 20 Mar 2003 11:09:40 -0900

From: Katie Campbell <katie_campbell@dced.state.ak.us>

To: Willow Seay <willow_seay@legis.state.ak.us>

CC: Charlie Miller <charliem@alaska.net>

I've attached a memo that explains the rationale and development of the changes to the NAIC annuity nonforfeiture law that Charlie Miller has provided to you.

Below is some information that you may find helpful.

Nonforfeiture values are the benefits that an insurer guarantees to a policyowner, if the policyowner stops paying premiums. The benefits can be provided in the form of a paid-up annuity, cash, or a death benefit.

Considerations are the amounts that the policyowner pays the insurance company for the annuity.

- Flexible considerations means that the contract does not require a set amount or frequency of payments by the policyowner.
- Fixed considerations means that the contract requires a set amount and frequency of payments by the policyowner.
- Single consideration means that the contract allows only a single payment at the time of purchase (usually a minimum amount is required).


Fixed deferred annuities credit an interest rate to the amounts the policyowner pays that is determined periodically by the insurance company. The interest rate can not fall below a minimum specified in the annuity contract.

Equity indexed deferred annuities credit an interest rate that is tied to an equity index, commonly the S&P 500. The interest rate can not fall below a minimum specified in the annuity contract.

Current Alaska law (AS 21.45.305) defines the minimum nonforfeiture values that an insurance company must provide. This law is consistent with NAIC annuity nonforfeiture law prior to the recently adopted changes. The minimum interest rates (and maximum expense charges) set in the annuity contract assure that the annuity contract will provide at least the minimum nonforfeiture values required under the law.

Please feel free to contact me if you have questions or would like additional information.

Katie Campbell
Life/Health Actuary
Alaska Division of Insurance

| | |
|--|---|
|  prhsannf.doc | <p>Name: prhsannf.doc
Type: WINWORD File (application/msword)
Encoding: base64
Download Status: Not downloaded with message</p> |
|--|---|



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

**EXECUTIVE
HEADQUARTERS**

2301 MCGEE STREET
SUITE 800
KANSAS CITY MO
64108-2662
VOICE 816-842-3600
FAX 816-783-8175

**FEDERAL AND
INTERNATIONAL
RELATIONS**

HALL OF THE STATES
444 NORTH CAPITOL ST NW
SUITE 701
WASHINGTON DC
20001-1509
VOICE 202-624-7790
FAX 202-624-8579

**SECURITIES
VALUATION
OFFICE**

1411 BROADWAY
9TH FLOOR
NEW YORK NY
10018-3402
VOICE 212-398-9000
FAX 212-382-4207

**WORLD
WIDE WEB**

www.naic.org

TO: Merwin Stewart, Chair
Life Insurance and Annuities (A) Committee

FROM: Michael Batte, Chair
Life and Health Actuarial Task Force

DATE: March 8, 2003

SUBJECT: Project History of Revisions to the "Standard Nonforfeiture Law for Individual Deferred Annuities ("Model")"

At its meeting on Friday, March 7, 2003, the Life and Health Actuarial Task Force ("Task Force") voted to recommend that the Life Insurance and Annuities (A) Committee adopt the Model. In order to assist the A Committee in its review of this document, I am submitting the following brief project history. Please feel free to contact me if you have additional questions.

1) What issues was the project intended to address?

At the Executive Committee and Plenary Meeting in San Antonio, Texas, on February 8, 2002, the issue of the appropriate interest rate to incorporate into Section 4 of the Model was discussed. The following excerpt from the minutes summarizes that discussion:

Commissioner Koken, vice chair of the Life Insurance and Annuities (A) Committee, stated that the A Committee has been reviewing the issue of the minimum nonforfeiture rate on annuities. It is currently 3%, which in the current economic climate means that companies may have to take some products off the market because they can't invest at that rate, or there will be real solvency concerns. The recommendation from the A Committee is to support the industry in their efforts to go to the legislatures and ask for a reduction in the nonforfeiture rate to 1.5% and to give a charge to the Life and Health Actuarial Task Force to develop a long-term solution to this issue. The group believes that ultimately an indexed rate is the best response so that as the economy changes it will not be necessary to go back to the legislatures.

The minutes of that meeting further show that the following motion was adopted: "Recommend that the states support a 1.5% nonforfeiture with a sunset of July 1, 2004 and a charge to develop an indexed rate."

In a subsequent discussion of the Task Force, the project was defined to include the following general scope (as captured in the Life and Health Actuarial Task Force minutes from March 14-15, 2002):

William Schreiner (ACLI) reported that the ACLI has a committee studying this matter, and that committee is looking for the Task Force's input on areas to study. He said "it is fair that you will want to look at more than just the interest rate." A lengthy, wide-ranging discussion ensued on how to proceed. Mr. Hartnedy summarized the discussion by saying that three potential areas of inquiry had been identified: 1) "You've got to carefully consider in the change of any minimum guarantees the surrender charge;" 2) "We're very interested in a dynamic or, if you will, index rate"; and 3) "We want pros and cons as to impact on people in different circumstances by doing this." Mr. Gorski suggested "maybe there is a need to think about disclosure at the same time." Mr. Schreiner added that "all the elements of the (nonforfeiture) 'formula' will be in play."

2) What states participated in drafting the model?

The following states are currently members of the Task Force: New Mexico (Chair), Arkansas (Vice-Chair), California, Connecticut, Florida, Illinois, Minnesota, Nebraska, New York, Oklahoma, Pennsylvania, Texas, Utah, and Vermont.

3) What general procedure was followed in drafting the model? What efforts were made to assure that all interested parties were provided an opportunity to comment during the drafting process?

The efforts of the Task Force were closely coordinated with all industry interested parties. In addition to open sessions at the quarterly meetings of the NAIC, seven conference calls were held over the last year to discuss the various submissions and drafts of the Model. Notice of those conference calls was posted on the NAIC's home page on the Internet and e-mailed to approximately 200 regulators and interested parties, including representatives of the American Council of Life Insurers, the National Alliance of Life Companies, the National Fraternal Congress of America, and the American Academy of Actuaries (AAA).

4) What significant issues were raised during the drafting process, and how were those issues resolved?

Given this complexity of this topic and the myriad of opinions, it is impossible to put together a brief description which captures a) all of the issues raised and b) all of the detail underlying those issues. Any summary will of necessity be a broad overview and will omit numerous particulars of the project. However, I believe that the items below represent the major points of discussion:

A) Is there really a need to change the Model?

Many regulators expressed doubts regarding whether there was a need to change the Model. This excerpt from Frank Dino's (Florida Department of Financial Services) summary of the October 10, 2002, conference call of the Task Force summarized the basic nature of those concerns:

Some of the previously expressed doubts regarding whether a problem actually exists in the current nonforfeiture law were repeated. It was noted that the current law allows initial expense loads of 35% and 10% for flexible premium and single premium products, respectively. Even ignoring annual expense charges, it would take fifteen years and four years, respectively, for the minimum values to match the

original deposit, assuming the minimum 3% were credited each year. It was also noted almost all states interpret the existing law as imposing a cumulative standard, rather than requiring that a minimum interest credit of 3% be applied each year. This gives companies the ability to credit less than 3% some years (provided they can still meet the cumulative requirement).

Ultimately, a consensus emerged on the Task Force that changes to the Model should be made. The distinct expense loads for flexible premium and single premium products were eliminated, and replaced by a single standard of 12.5%. In its first draft Model submitted on August 22, 2002, the ACLI suggested 15%. However, subsequent discussions resulted in the compromise figure of halfway between the existing 10% standard for single premium annuities and the ACLI's proposed 15%.

B) What should be the basis of the index used in establishing the minimum nonforfeiture interest rate?

Early on in this project, it became clear that there is no economic or actuarial theory that makes any one index the obvious choice over another. The following suggestions were among the many received:

In correspondence received on May 24, 2002, the ACLI suggested the following:

Proposal: five-year constant maturity treasuries (CMT) is proposed as the basis of required minimum interest rate credits.

Rationale: the use of a CMT basis has the virtue of expected continuous availability, while the choice of a five-year basis lies between short and longer-term maturities.

The ACLI provided this commentary with the submission of their initial proposal for actual draft language on August 22, 2002: "The interest rate proposed is the Five-Year Constant Maturity Treasury rate (CMT) as of June 30 of the preceding calendar year minus two and one-half percent (2.5%), but not greater than four percent (4%) nor less than one percent (1%)."

In a submission dated November 13, 2002, the ACLI modified its proposal as follows: "Index Basis: 3 Year Constant Maturity Treasury (monthly) rate – minus 150 basis points, but not less than 1%."

In a submission dated January 22, 2003, the ACLI made the following recommendation: "Therefore, we urge that the index basis in the proposed model Individual Deferred Annuity Nonforfeiture Law be changed to the three-year CMT reduced by 125 bps."

In a submission labeled "Preliminary Draft" dated September 10, 2002, the AAA stated that "an index rate for the annuity non-forfeiture value can be based on either the Treasury Curve, The Swap Curve (or) somewhere on any myriad of credit curves." The submission includes a description of how LIBOR swap rates might be used:

Under this approach we define the Non-Forfeiture Interest Rate (NIR) as equal to the Applicable Swap Rate less X. The Applicable Swap Rate is the monthly average swap rate for a swap whose term is equal to the term of the guarantee period for the premium/renewal (rounded up to the next whole year) during the month the premium is received or the renewal rate is set.

Many other comments were provided relative to the appropriate choice of an index, as well as a) what reductions to the index should be made to recognize company expenses and b) maximum and minimum limits on the interest rates.

In reaching a decision, the Life and Health Actuarial Task Force concluded that the Five-Year CMT less 125 basis points provides a reasonable balance between 1) giving companies relief in times of low interest rates and 2) providing an appropriate minimum guarantee for the consumer. Also, a consensus seemed to emerge on the Task Force in agreement with the position expressed in the January 22, 2003, submission from the ACLI: "The primary goal of the law's revision is to provide a means to permit lower interest rate guarantees than the current law allows in low interest rate environments." Accordingly, a cap equal to the existing 3% interest rate was established. However, in order to provide some minimum level of guarantee to the consumer, a floor of 1% was also established. Finally, flexibility was provided to the companies by allowing for the redetermination of the minimum interest guarantees on a periodic basis.

C) Should a lower minimum nonforfeiture interest rate be allowed for equity-indexed annuities?

This matter was not raised in a substantive way by any of the interested parties until the Task Force meeting in December 2002. Subsequently, a report was received from the AAA (dated January 27, 2003) that recommended the following: "The Academy of Actuaries recommends that an offset for Equity Indexed Annuities be allowed. The Academy strongly believes there is a need for an offset as long as the product provides a meaningful equity participation guarantee."

The Task Force agreed with this recommendation, and inserted the following language into the Model:

During the period or term that a contract provides substantive participation in an equity indexed benefit, it may increase the reduction described in Subsection B(2) above by up to an additional 100 basis points to reflect the value of the equity index benefit. The present value at the contract issue date, and at each redetermination date thereafter, of the additional reduction shall not exceed the market value of the benefit. The commissioner may require a demonstration that the present value of the reduction does not exceed the market value of the benefit. Lacking such a demonstration that is acceptable to the commissioner, the commissioner may disallow or limit the additional reduction.

The commissioner may adopt rules to implement the provisions of Section 4C and to provide for further adjustments to the calculation of minimum nonforfeiture amounts for contracts that provide substantive participation in an equity index benefit and for other contracts that the commissioner determines adjustments are justified.

Several members of the Task Force expressed a desire that a model regulation be developed to assist the states in implementing this provision.

5) What are the implications of this project for accreditation and codification?

Since this project does not deal with solvency monitoring, there is no impact for accreditation and codification.

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(6) term policy of decreasing amount, which provides no guaranteed nonforfeiture or endowment benefits, on which each adjusted premium, calculated as specified in (h) - (w) of this section is less than the adjusted premiums calculated, on a policy of uniform amount or renewal thereof, which provides no guaranteed nonforfeiture or endowment benefits, issued at the same age and for the same initial amount of insurance for a term defined as follows: for ages at issue 50 and under, the term shall be 15 years; thereafter, the term decrease one year for each year of age beyond 50, and for a term of 20 years or less expiring before age 71, for which uniform premiums are payable during the entire term of the policy;

(7) policy, which provides no guaranteed nonforfeiture or endowment benefits, for which no cash surrender value, if any, or present value of any paid-up nonforfeiture benefit, at the beginning of any policy year, calculated as specified in (d) - (w) of this section, exceeds two and one-half percent of the amount of insurance at the beginning of the same policy year;

(8) policy which shall be delivered outside this state through an agent or other representative of the insurer issuing the policy.

(bb) For purposes of determining the applicability of subsection (aa), the at expiry for a joint term life insurance policy shall be the age at expiry of the oldest life.

(cc) The operative date of this section is January 1, 1968 except that an insurer may elect to comply with this section before that date by filing a written notice of election with the director. A written notice of election is not effective unless the insurer specifies in the notice

(1) the date upon which this section is to be operative, which date must be later than the date on which the notice is filed;

(2) the policies to which this section applies.

Sec. 21.45.305. Standard nonforfeiture law for individual deferred annuities.

(a) This section does not apply to any reinsurance, group annuity purchased under a retirement plan or plan of deferred compensation established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under 26 U.S.C. 408 (Internal Revenue Code), as amended, premium deposit fund, variable annuity, investment annuity, immediate annuity, any deferred annuity contract after annuity payments have commenced, or reversionary annuity, nor to any contract that shall be delivered outside this state through an agent or other representative of the company issuing the contract.

(b) In the case of contracts issued on or after the operative date of this section as defined in (k) of this section, no contract of annuity, except as stated in (a) of this section, may be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions that in the opinion of the director are at least as favorable to the contract holder, upon cessation of payment of considerations under the contract: (1) that upon cessation of payment of considerations under a contract, the company will grant a paid-up annuity benefit on a plan stipulated in the contract of such value as is specified in (d) - (g) and (i) of this section; (2) if a contract provides for a lump sum settlement at maturity, or at any other time, that upon surrender of the contract at or before the commencement of any annuity payments, the company will pay in lieu of any paid-up annuity benefit a cash surrender benefit of such amount as is specified in (d), (e), (g) and (i) of this section; the company shall reserve the right to defer the payment of that cash surrender benefit for a period of six months after demand for the payment with

surrender of the contract; (3) a statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender, or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of those benefits; (4) a statement that any paid-up annuity, cash surrender, or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which those benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract or any prior withdrawals from or partial surrenders of the contract. Notwithstanding the requirements of this subsection, any deferred annuity contract may provide that if no considerations have been received under a contract for a period of two full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from considerations paid before that period would be less than \$20 monthly, the company may at its option terminate the contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by that payment shall be relieved of any further obligation under the contract.

(c) The minimum values as specified in (d) - (g) and (i) of this section of any paid-up annuity, cash surrender, or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as defined in this section:

(1) With respect to contracts providing for flexible considerations, the minimum nonforfeiture amount at any time at or before the commencement of any annuity payments shall be equal to an accumulation up to that time at a rate of interest of three per cent a year of percentages of the net considerations as defined in this paragraph paid before that time, decreased by the sum of (A) any prior withdrawals from or partial surrenders of the contract accumulated at a rate of interest of three per cent a year; and (B) the amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract. The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount not less than zero and shall be equal to the corresponding gross considerations credited to the contract during that contract year less an annual contract charge of \$30 and less a collection charge of \$1.25 per consideration credited to the contract during that contract year. The percentages of net considerations shall be 65 per cent of the net consideration for the first contract year and 87 1/2 per cent of the net considerations for the second and later contract years. Notwithstanding the provisions of the preceding sentence, the percentage shall be 65 per cent of the portion of the total net consideration for any renewal contract year which exceeds by not more than two times the sum of those portions of the net considerations in all prior contract years for which the percentage was 65 per cent.

(2) With respect to contracts providing for fixed scheduled considerations, minimum nonforfeiture amounts shall be calculated on the assumption that considerations are paid annually in advance and shall be defined as for contracts with flexible considerations which are paid annually with two exceptions:

(A) the portion of the net consideration for the first contract year to be accumulated shall be the sum of 65 per cent of the net consideration for the first contract year plus 22 1/2 per cent of the excess of the net consideration for the first contract year over the lesser of the net considerations for the second and third contract years;

(B) the annual contract charge shall be the lesser of \$30 or 10 per cent of the gross annual consideration.

(3) With respect to contracts providing for a single consideration, minimum nonforfeiture amounts

shall be defined as for contracts with flexible considerations except that the percentage of net consideration used to determine the minimum nonforfeiture amount shall be equal to 90 per cent and the net consideration shall be the gross consideration less a contract charge of \$75.

(d) Any paid-up annuity benefit available under a contract shall be such that its present value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that date. Such present value shall be computed using the mortality table, if any, and the interest rate specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract.

(e) For contracts which provide cash surrender benefits, such cash surrender benefits available before maturity may not be less than the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit which would be provided under the contract at maturity arising from considerations paid before the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract. The present value shall be calculated on the basis of an interest rate not more than one per cent higher than the interest rate specified in the contract for accumulating the net considerations to determine the maturity value, decreased by the amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract. In no event may any cash surrender benefit be less than the minimum nonforfeiture amount at that time. The death benefit under such contracts shall be at least equal to the cash surrender benefit.

(f) For contracts which do not provide cash surrender benefits, the present value of any paid-up annuity benefit available as a nonforfeiture option at any time before maturity may not be less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid before the time the contract is surrendered in exchange for, or changed to, a deferred paid-up annuity. The present value shall be calculated for the period before the maturity date on the basis of the interest rate specified in the contract for accumulating the net considerations to determine the maturity value, and increased by any existing additional amounts credited by the company to the contract. For contracts which do not provide any death benefits before the commencement of any annuity payments, the present values shall be calculated on the basis of the interest rate and the mortality table specified in the contract for determining the maturity value of the paid-up annuity benefit. However, in no event may the present value of a paid-up annuity benefit be less than the minimum nonforfeiture amount at that time.

(g) For the purpose of determining the benefits calculated under (e) and (f) of this section, in the case of annuity contracts under which an election may be made to have annuity payments commence at optional maturity dates, the maturity date shall be considered to be the latest date for which election shall be permitted by the contract, but is not considered to be later than the anniversary of the contract next following the annuitant's 70th birthday or the 10th anniversary of the contract, whichever is later.

(h) Any contract which does not provide cash surrender benefits or does not provide death benefits at least equal to the minimum nonforfeiture amount before the commencement of any annuity payments shall include a statement in a prominent place in the contract that such benefits are not provided.

(i) Any paid-up annuity, cash surrender, or death benefits available at any time, other than on the contract anniversary under any contract with fixed scheduled considerations, shall be calculated with allowance for the lapse of time and the payment of any scheduled considerations beyond the beginning of the contract year in which cessation of payment of considerations under the contract occurs.

(j) For any contract which provides, within the same contract by rider or supplemental contract

provision, both annuity benefits and life insurance benefits that are in excess of the greater of cash surrender benefits or a return of the gross considerations with interest, the minimum nonforfeiture benefits shall be equal to the sum of the minimum nonforfeiture benefits for the annuity portion and the minimum nonforfeiture benefits, if any, for the life insurance portion computed as if each portion were a separate contract. Notwithstanding the provisions of (d) - (g) and (i) of this section, additional benefits payable (1) in the event of total and permanent disability, (2) as reversionary annuity or deferred reversionary annuity benefits, or (3) as other policy benefits additional to life insurance, endowment, and annuity benefits, and considerations for all such additional benefits, shall be disregarded in ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash surrender, and death benefits that may be required by this section. The inclusion of such additional benefits is not required in any paid-up benefits, unless those additional benefits separately would require minimum nonforfeiture amounts, paid-up annuity, cash surrender, and death benefits.

(k) After July 6, 1978, any company may file with the director a written notice of its election to comply with the provisions of this section after a specified date before July 6, 1980. After the filing of the notice, then upon the specified date, which shall be the operative date of this section for the company, this section shall become operative with respect to annuity contracts thereafter issued by the company. If a company makes no such election, the operative date of this section for the company shall be July 6, 1980.

Sec. 21.45.310. Prohibited policy plans.

(a) An insurer may not issue for delivery or deliver in this state a life insurance policy or annuity contract issued under any plan for the segregation of policyholders into mathematical groups and providing benefits for a surviving policyholder of a group arising out of the death of another policyholder of that group or under another similar plan.

(b) An insurer may not issue for delivery or deliver in this state a life insurance policy or annuity contract providing benefits or values for surviving or continuing policyholders contingent upon the lapse or termination of the policies of other policyholders, whether by death or otherwise. This provision does not prohibit the payment or allowance of regular annual dividends or savings under participating forms of policies or contracts, or prohibit the annual distribution to policyholders or beneficiaries of sums representing in part gains to the insurer from lapses, surrenders, or mortality either in general or as resulting from particular classifications of policies.

Sec. 21.45.320. Industrial life insurance defined. [Repealed, Sec. 17 ch 21 SLA 1985].

Repealed or Renumbered

Chapter 21.48. GROUP LIFE INSURANCE

Sec. 21.48.010. Group requirements for group contracts.

(a) A group life insurance policy may not be delivered in this state insuring the lives of more than one individual unless

(1) the policyholder was formed for purposes other than obtaining insurance or is a trust established by one or more employers or labor unions or by one or more employers and labor unions;

(2) the policy covers at least two individuals at the date of issue;

HB

186

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 186
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Licensing Radiologic Technicians BRU Occupational Licensing (117)
 Component Occupational Licensing
 Sponsor Representative Anderson
 Requester House Labor & Commerce Component No. 2360

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|-------------|-------------|-------------|-------------|-------------|------------|
| Personal Services | 43.6 | 43.6 | 43.6 | 43.6 | 43.6 | |
| Travel | 10.1 | 10.1 | 10.1 | 10.1 | 10.1 | |
| Contractual | 31.0 | 31.0 | 6.0 | 6.0 | 6.0 | |
| Supplies | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| Equipment | 6.0 | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 91.7 | 85.7 | 60.7 | 60.7 | 60.7 | 0.0 |

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

| | | | | | | |
|----------------------------------|--------------|------------|--------------|------------|-------------|--|
| CHANGE IN REVENUES (1156) | 177.2 | 0.0 | 121.4 | 0.0 | 60.7 | |
|----------------------------------|--------------|------------|--------------|------------|-------------|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other 1156 - Receipt Supported Services | 91.7 | 85.7 | 60.7 | 60.7 | 60.7 | |
| TOTAL | 91.7 | 85.7 | 60.7 | 60.7 | 60.7 | 0.0 |

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

HB 186 creates a seven member board with meetings to be held at least twice a year to regulate the practice of radiologic technology. The division was advised that approximately 380 to 400 individuals will seek licensure under this bill. This fiscal note is based on the assumption there will be at least 400 licensees. Section 3 of the bill establishes a termination date of June 30, 2007. Therefore, under provisions of AS 08.03.020, costs are extended for one year allowing the board to conclude its affairs.

An explanation of the costs shown above are attached.

Prepared by Jennifer Strickler, Administrative Manager Phone (907) 465-2144
 Division Occupational Licensing Date/Time 3/24/03 4:18 PM
 Approved by Edgar Blatchford, Commissioner Date 3/24/2003
 Agency Department of Community & Economic Development

FISCAL NOTE

**STATE OF ALASKA
2003 LEGISLATIVE SESSION**

BILL NO. HB 186

ANALYSIS CONTINUATION

HB 186: Licensing Radiologic Technicians

Total PERSONAL SERVICES: \$43.6

Occupational Licensing Examiner I position, PFT, Range 12

Note: AS 08.89.010(b) of the bill requires the department to provide staffing, including a person to act as secretary for the board. This fiscal note provides for an Occupational Licensing Examiner I similar to other regulatory boards who provide secretarial duties to the boards. However, if the intent is to provide an Executive Administrator position, Range 18, personal services costs would increase to \$60.6.

Total TRAVEL: \$10.1

- To fund travel and per diem costs for seven members and two staff (Occupational Licensing Examiner and Regulations Specialist) to attend at least two meetings each year as required by AS 08.89.010(c) of the bill. It is assumed that 3 members are from Anchorage; 2 from Juneau; and 2 from Fairbanks.

Total CONTRACTUAL SERVICES: \$31.0

- Printing, postage, communication, and advertising costs, \$3.0
- Regulations-related costs to establish education criteria and standards, and other requirements; including Assistant Attorney General time, \$3.0
- Develop or purchase an examination; \$25.0 (The bill is not clear on whether a standardized examination will be used, or whether the Board must create an examination for licensure. Exam costs are identified in this fiscal note for the first two years because of the uncertainty of whether an exam exists and whether or not the exam will be used.)

Total SUPPLIES: \$1.0

To fund daily operating supplies of the program.

Total EQUIPMENT (one-time costs): \$6.0

Office equipment and workstation set-up for the support position.

TOTAL FISCAL NOTE: \$91.7

REVENUE: Revenue will be generated by individuals who seek license under this bill. Based on 400 licensees, each licensee can be expected to pay approximately \$443.00 biennially (\$177.2 divided by 400) in direct costs. This, combined with indirect costs of approximately \$100.00 per person will result in an estimated initial licensing fee of \$543.00 biennially. Licensing fees will be adjusted at the first renewal based on actual costs and numbers of licensees.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 186
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
 Title "An Act establishing the Radiologic Technology BRU Civil
Board of Examiners; requiring licensure of occupations . . . " Component Fair Business Practices
 Sponsor Representative Anderson
 Requester House Labor & Commerce Committee Component No. 2206

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|------------|------------|------------|------------|------------|------------|
| 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 (FY2003) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)
 HB 186 adds radiologic technicians as a licensed occupation regulated by the Division of Occupational Licensing. Any time a new profession is added to the occupational licensing statutes, new legal services may be required. For example, Department of Law assistance may be required in hearings resulting from the denial of a license or from license discipline. However, the amount of legal work that is likely to arise from the addition of this profession is not expected to be significant enough to cause a fiscal impact to the Department of Law.

Prepared by: Joan M. Kasson Phone (907) 465-5370
 Division Attorney General's Office Date/Time 3/25/03 10:10 AM
 Approved by: Joan M. Kasson for Gregg D. Renkes, Attorney General Date 3/25/2003
 Agency Department of Law

Alaska State Legislature

House of Representatives



Official Business

State Capitol
Juneau, AK 99801-1182

SPONSOR STATEMENT FOR HB 186 BY: Representative Toni Anderson

TITLE: "An Act establishing the Radiologic Technology Board of Examiners; requiring licensure of occupations relating to radiologic technology, radiation therapy, and nuclear medicine technology; and providing for an effective date."

House Bill 186 will require radiologic technologists, radiation therapists, and nuclear medicine technologists to obtain licenses from the State and meet educational requirements in order to practice in Alaska. Recognizing the unique composition of our state with its many rural communities, HB 186 also makes available a limited license with more lenient educational requirements for those practicing in small communities. This limited license will permit a limited radiologic imager to perform certain X-ray examinations. By doing so, the availability of basic radiologic services will not be compromised in communities where access to health care may already be limited.

Radiologic technology plays a crucial role in diagnosing and treating a broad spectrum of ailments. Any radiology procedure is only as effective as the person who performs it. An underexposed chest X-ray cannot reveal pneumonia or a malignant lesion, just as inadequate mammography technique cannot detect breast cancer. No matter what the procedure, knowledge of anatomy, careful application of radiation, and skillful operation of sophisticated medical equipment are the keys to producing quality images and providing effective treatment.

In the next twelve months, seven of every ten people will undergo an X-ray examination. Studies indicate the risks of receiving excessive or accidental exposure to radiation can be substantially reduced by adequate education of operators. To ensure Alaskans receive maximum protection from the harmful effects of excessive and improper exposure to radiation, HB 186 must be passed to establish standards.

By establishing the Radiologic Technology Board of Examiners and requiring that educational standards be met in compliance with licensure, all Alaskans will benefit from increased quality and safety when undergoing radiologic procedures.

I urge your support of HB 186.

House Bill 186

Sectional Analysis

Section 1.

Establishes a new board to regulate radiologic occupations. Requires licensure before a person can use radioactive materials or equipment emitting radiation on a human for diagnostic or therapeutic purposes. Includes full certificates and limited certificates; limited certificates authorize limited radiologic diagnostic imaging in small communities. Continuing education is required for renewal of licensure.

Section 2.

Adds the new board to the list of boards covered by the centralized licensing chapter, AS 08.81.

Section 3.

Adds a sunset date for the new board.

Section 4.

Adds the new board to the statute requiring conformance with the Administrative Procedures Act.

Section 5.

Exempts the initial board members who are radiologic technicians from licensure until June 30, 2005 (the date the licensure for practice is required).

Section 6.

Allows the regulation process to begin July 1, 2003, even though licensure is not required until 2005.

Section 7.

Gives most of the bill an effective date of July 1, 2003.

Section 8.

Delays the effective date of the provisions requiring licensure and penalizing unlicensed practice until June 30, 2005.

Medical Radiation Facts and Bibliography

Facts

1. More than 90% of all radiation the public receives is from medical x-ray examinations. Less than 10% is from nuclear power plants, nuclear fallout and research accidents.
2. Seven of every 10 people will undergo an x-ray examination during the next 12 months.
3. A patient receives more radiation from an x-ray examination of the stomach than the exposed public received from the Three Mile Island accident.
4. Current scientific evidence indicates that any amount of exposure to ionizing radiation may cause adverse effects.
5. Studies show that patients may receive 100 times more radiation for the same x-ray examination because of unqualified operators.
6. Two main sources of unnecessary exposure are the use of improper exposure factors by x-ray operators and examinations that are not medically necessary.
7. Excessive low-dose radiation from x-ray examinations can cause fetal mutations, cancer and mental retardation and can shorten an individual's life span.
8. An estimated 40% of operators administering ionizing radiation have no formal education in radiologic technology.
9. An unqualified, uneducated x-ray operator can inadvertently overturn any benefit from established equipment performance standards, resulting in unnecessary patient radiation hazards.
10. Unnecessary radiologic examinations contribute to both increased health risks and radiology services costs.
11. Minimum standards for operators of x-ray equipment in states with licensure laws reduce hospital costs because licensed, qualified radiologic technologists have fewer repeat films than unlicensed, unqualified x-ray operators.
12. "About 300 million medical x-ray examinations were taken in 1981. To some extent, these numbers may include x-rays that are used inappropriately. They are sometimes requested by physicians in response to pressure from patients or to protect themselves from possible malpractice suits. Unnecessary radiation... whether from exams that are not medically needed or from exams conducted without proper protection... may possibly increase the risk of cancer, genetic damage and other ill effects. It also costs our health care system millions of dollars in needless medical bills." *Arthur Hall Hays Jr., M.D., Commissioner of Food and Drugs, June 1984.*

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UNIVERSITY OF ALASKA ANCHORAGE
COMMUNITY AND TECHNICAL COLLEGE

MEDICAL IMAGING SCIENCES

Allied Health Science Bldg., Room 152
3211 Providence Drive • Anchorage, AK 99508
(907) 786-6941 • Fax (907) 786-6938

The Honorable Tom Anderson
State Capitol, Room 432
Juneau, AK 99801-1182

Dear Representative Anderson,

As Program Chair of the Associate of Applied Science degree in Radiologic Technology at the University of Alaska Anchorage I would like to endorse the efforts of the Alaska State Society of Radiologic Technologists and your office in developing criteria for licensure in Radiologic Technology.

House Bill No. 186, Licensing Radiologic Technicians does an effective job outlining educational and credentialing standards for health care personnel who perform medical imaging examinations. Without this law the residents of Alaska will continue to receive substandard imaging examinations performed by unqualified and non-credentialed personnel. Licensing radiologic technologists will insure that competent qualified personnel are providing the public with the quality of care they expect.

The University of Alaska Anchorage has developed a Board of Regents approved A.A.S. degree program that adheres to national curriculum standards published by the American Society of Radiologic Technologists (ASRT), certification eligibility requirements published by the American Registry of Radiologic Technologists (ARRT), and subscribes to the guidelines for program accountability outlined by the Joint Review Committee on Education in Radiologic Technology (JRCERT). This program was developed in response to identified state workforce needs in health care and provides the state with a valuable resource to assure a supply of qualified practitioners.

Elements necessary to insure that licensure is effective and can be sustained is assuring educational opportunities are accessible in the state, provision for educating limited practice radiographers is available, and development of continuing education opportunities for practicing technologists are obtainable. All of these are presently being accomplished or under development at the University of Alaska Anchorage.

If I can be of addition service in supporting your efforts on this matter please feel free to contact me. Thank you for your consideration on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dale E. Collins', written in a cursive style.

Dale E. Collins, M.S., R.T.(R)(M)(QM), RDMS
Program Chair, Radiologic Technology
University of Alaska Anchorage
Community and Technical College
Medical Imaging Sciences Department
907-786-6941
afdec@uaa.alaska.edu

UNIVERSITY OF ALASKA ANCHORAGE
COMMUNITY AND TECHNICAL COLLEGE

MEDICAL IMAGING SCIENCES

Allied Health Science Bldg., Room 152
3211 Providence Drive • Anchorage, AK 99508
(907) 786-6441 • Fax (907) 786-6938

TO: Representative Tom Anderson

FROM: Erica Koch Wight, M.Ed., R.T.(R)(M)(QM)

REF: HB 186

DATE: March 18, 2003

Rep. Anderson, I congratulate you and thank you for your support regarding HB 186. As a radiographer, I realize the importance of licensure in this state, especially for those using ionizing radiation as a means of aiding in diagnosis. Please know that I support your efforts completely.

A portion of HB 186 addresses the need for limited licensure. As an educator in the Medical Imaging Sciences Program at UAA and the Clinical Coordinator, I identify with this need. We are a rural state of great size. It is imperative that those persons in need of imaging services have trained individuals, even on a limited level, to provide services.

There is a large national shortage of certified radiographers, (those having completed ~ two years of training) Alaska is feeling the effect of the shortage in an immense way. Hospitals and specialized imaging centers, tend to capture registered (American Registry of Radiologic Technologist, ARRT) radiographers. It is a necessity for them to have employees that can provide diverse imaging services in a variety of situations. However, this is not true for those in rural Alaska. Rural Alaska's need, I believe, can be fulfilled by those trained in a well-structured limited imaging program. Those providing services to minimal populations primarily aid in triaging patients to large hospitals or impart services to patients who have health care difficulties that require limited services.

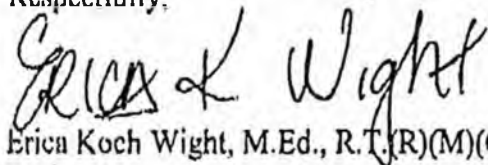
The University of Alaska Anchorage is currently developing a program for limited imaging based on a course I am already instructing for those taking radiographs in medical offices, chiropractic situations and other non hospital or imaging center facilities. This curriculum, in development, will meet the ARRT guidelines and upon completion, the learner will have the opportunity to take the Certification for Limited Practice Examination provided by the ARRT. The entire curriculum should be approved by early summer.

I realize that there are radiographers in the state who do not agree with limited licensure. However, in rural areas, there are currently people with little or no training providing less than optimal imaging services. This compromises care for those patients living in these areas.

Training is imperative if we are to provide quality care for every Alaskan. Registered Radiographers with ARRT aptitude are necessary. However, Alaska necessitates, due to its size and rural populations, a component for trained limited personnel.

I highly support your efforts with this entire bill. If I can be of any assistance, please do not hesitate to contact me. Your service is deeply appreciated.

Respectfully,



Erica Koch Wight, M.Ed., R.T.(R)(M)(QM)
Assistant Professor
Medical Imaging Sciences
University Alaska Anchorage



Alaska Society
of Radiologic Technologists

P.O. Box 3601
Homer, Alaska 99603

SPONSOR STATEMENT FOR HB 186
BY: The Alaska Society of Radiologic Technologists

TITLE: "An Act establishing the Radiologic Technology Board of Examiners; requiring Licensure of occupations relating to radiologic technology, radiation therapy, and nuclear medicine technology; and providing for an effective date."

The Radiologic Health Science professionals in the State of Alaska are dedicated to the preservation of life and health as well as the prevention and treatment of disease. The use of x-rays and other medical imaging disciplines is the most acceptable method for discovering and treating many conditions that might not otherwise be observed until it is too late for treatment. The accuracy of a disease diagnosis by a radiology procedure is dependant on the knowledge, positioning skills and application of radiation by the technologist performing the radiology procedure.

The unregulated practice of Radiologic Technology, Nuclear Medicine Technology and Radiation Therapy by unqualified individuals represents a serious health risk to the citizens of Alaska. The Alaska Society of Radiologic Technologists has consistently supported the enactment of state standards for the education and credentialing of Radiologic Technologists, Radiation Therapists and Nuclear Medicine Technologists as a means of protecting Alaskans from the harmful effects of excessive and unnecessary exposure to medical radiation.

Establishing state standards will ensure that Alaskans will have access to safe and high quality radiologic care. Implementation of a Radiologic Technology Board of Examiners will establish radiation protection measures as well as education and credentialing standards that will ensure the competency of persons operating medical equipment emitting radiation.

The Alaska Society of Radiologic Technologists supports HB 186 and urges the legislature to support quality health care for Alaskans by supporting HB 186.

Respectfully,

Donna J. Rufsholm, R.T. (R)(M)

Donna J. Rufsholm, R.T. (R)(M)
President, Alaska Society of Radiologic Technologists



March 13, 2003

The Honorable Tom Anderson
Alaska House of Representatives
State Capitol Building, Room 432
Juneau, AK 99801

Dear Representative Anderson:

The American Society of Radiologic Technologists, representing more than 100,000 medical imaging professionals nationally including 350 in Alaska, is pleased to hear of your introduction of HB 186 before the Alaska Legislature.

The ASRT's goals are educating the medical community and the public about the benefits and risks of radiologic and other diagnostic medical procedures while providing safe, effective examinations and treatments to patients. ASRT firmly believes that personnel performing diagnostic and therapeutic procedures on patients must be required to demonstrate competence through education and certification.

ASRT has pursued these goals by supporting the federal Consumer-Patient Radiation Health and Safety Act of 1981, which established basic certification and education guidelines for personnel who perform radiologic procedures. However there was no enforcement provision in this act, leaving the adoption of certification and education standards to the discretion of each state. To date, only 36 states have enacted licensure, certification laws or regulations for medical imaging and radiation therapy professionals and the regulations vary widely from state to state. Hopefully South Carolina will be the 37th state to enact a law that guarantees that all members of the public—young, old, male and female—receive safe and high-quality radiologic examinations and treatments.

We have worked closely with our state affiliate society, the Alaska Society of Radiologic Technologists, to advocate education and credentialing standards for persons who perform medical imaging, plan and deliver radiation therapy treatments for Alaska's citizens. Please feel free to call upon me in the ASRT Government Relations department if I can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Christine J. Lung", is written over a light-colored background.

Christine J. Lung
Director of Government Relations

HB

194

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 194
 (H) Publish Date: 4/2/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Regional Development Org Tax Credit BRU 405
 Component Comm Assistance & Economic Dev
 Sponsor Representative Anderson et al Community & Business Development
 Requester House Community & Regional Affairs Component No. 2486

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|------------|------------|------------|------------|------------|------------|
| 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 |

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

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|---|------------|------------|------------|------------|------------|------------|
| 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 (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This legislation would allow for a tax credit under the Alaska Net Income Tax Act not to exceed \$10,000 for taxpayers making cash contributions to regional economic development organizations. This legislation does not impact the fiscal operations of the department.

Prepared by: Gene Kane, Acting Director Phone 907.269.4578
 Division Community & Business Development Date/Time 3/28/03 5:19 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/28/2003
 Agency Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: CSHB 194(L&C)
 (H) Publish Date: 4/8/03

Revision Date/Line (Note if correction): _____ Dept. Affected: Revenue
 Title Regional Development BRU Revenue Operations
Organization Tax Credit Component Tax Division
 Sponsor Representative Anderson
 Requester House Labor and Commerce Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|------------|------------|------------|------------|------------|------------|
| 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 |

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

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|---|------------|------------|------------|------------|------------|------------|
| 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 (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

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|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This legislation allows taxpayers to take a credit against their Alaska corporate income taxes of up to \$10,000 per year for cash contributions to a Regional Development Organization.

This legislation would not significantly reduce state revenues, in that any tax credits claimed under this new program would have to fall within the existing statutory \$150,000 limit on corporate income tax credits per year per taxpayer. It is possible, however, that a taxpayer could choose to contribute to this program and therefore reduce its contribution under an existing tax credit program to stay within the limit.

The Tax Division does not expect any significant increase in its operational expenses from the new tax credit in this legislation.

Prepared by: Mark Graber, Tax Division
 Division: Tax Division
 Approved by: Larry Persily, Deputy Commissioner
 Agency: Department of Revenue

Phone 269-6620
 Date/Time 4/3/03 2:46 PM
 Date 4/3/2003

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: April 2, 2003

FURTHER REFERRALS: Finance

Date of Committee Action: April 7, 2003

The LABOR AND COMMERCE Committee considered:

HB 194

HOUSE BILL NO. 194

REGIONAL DEVELOPMENT ORG TAX CREDIT

"An Act creating a tax credit under the Alaska Net Income Tax Act for contributions to regional development organizations; and providing for an effective date."

Recommends it be replaced with HCS or CS for HR 194 (L3C)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

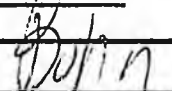


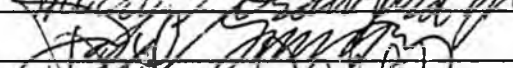

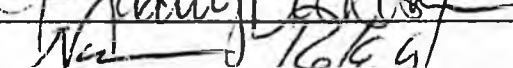
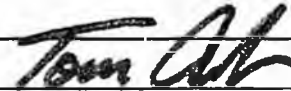
- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:

- ADM
- CED
- COR
- CRT
- EED
- DEC
- DFG
- GOV
- HSS
- LEG
- LAW
- LWF
- MVA
- DNR
- DPS
- REV
- DOT
- UA

| <u>NEW FISCAL NOTES</u> | | | | |
|-----------------------------------|------|--------|--------|------|
| *Assigned by Chief Clerk's Office | | | | |
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| <u>PREVIOUS FISCAL NOTES</u> | | | | |
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| <u>Signing with recommendations</u> | Printed Last Name | DP | DNP | N'R | AM |
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|  | LYNN | | | X | |
|  | GATTO | | | X | |
|  | CRAWFORD | | | X | |
|  | GUTTENBERG | | | X | |
|  | NATHLSTROM | | | X | |
|  | ROKEBERG | | | X | |
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| Chair:  | ANDERSON | X | | | |
| Chair: | | | | | |

Alaska State Legislature

Representative Tom Anderson



Official Business

State Capitol
Juneau, AK 99801-1182

Summary of changes made to HB 194 in CS Draft 23-LS0773\H

Page 3
Sec. 7
Sec. 43.20.019

Language has been added at the request of the Division of Tax to indicate that the regional development organization must be designated as such by the Department of Community and Economic Development. This is consistent with the sponsor's intent that the tax credit be made available only for contributions to recognized ARDORs and will assist the Division of Tax in readily determining which contributions are eligible to be claimed as tax credits.

23-LS0773\H
Kurtz
4/4/03

CS FOR HOUSE BILL NO. 194()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES ANDERSON, Kohring, Wilson

A BILL
FOR AN ACT ENTITLED

1 "An Act creating a tax credit under the Alaska Net Income Tax Act for contributions to
2 regional development organizations; and providing for an effective date."

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

4 * Section 1. AS 21.89.070(c) is amended to read:

- 5 (c) A contribution claimed as a credit under this section may not
- 6 (1) be claimed as a credit under more than one provision of this title;
- 7 and
- 8 (2) when combined with credits taken during the taxpayer's tax year
- 9 under AS 21.89.075, AS 43.20.014, 43.20.019, AS 43.55.019, AS 43.56.018,
- 10 AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

11 * Sec. 2. AS 21.89.070(c) is amended to read:

- 12 (c) A contribution claimed as a credit under this section may not
- 13 (1) be claimed as a credit under more than one provision of this title;
- 14 and

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(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.075, AS 43.20.014, [43.20.019,] AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

* Sec. 3. AS 21.89.075(c) is amended to read:

(c) A contribution claimed by a taxpayer as a credit under this section may not

(1) be claimed as a credit under more than one provision of this title;

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, AS 43.20.014, 43.20.019, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000; or

(3) be claimed as a credit unless the contribution qualifies for the credit under (d) of this section.

* Sec. 4. AS 21.89.075(c) is amended to read:

(c) A contribution claimed by a taxpayer as a credit under this section may not

(1) be claimed as a credit under more than one provision of this title;

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, AS 43.20.014, [43.20.019,] AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000; or

(3) be claimed as a credit unless the contribution qualifies for the credit under (d) of this section.

* Sec. 5. AS 43.20.014(d) is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under another provision of this title;

(2) also be allowed as a deduction under 26 U.S.C. 170 against the tax imposed by this chapter; and

(3) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.019, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

* Sec. 6. AS 43.20.014(d) is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under another provision of this title;

(2) also be allowed as a deduction under 26 U.S.C. 170 against the tax

1 imposed by this chapter; and

2 (3) when combined with credits taken during the taxpayer's tax year
3 under AS 21.89.070, 21.89.075, [AS 43.20.019,] AS 43.55.019, AS 43.56.018,
4 AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

5 * Sec. 7. AS 43.20 is amended by adding a new section to read:

6 **Sec. 43.20.019. Regional development organization tax credit.** (a) For
7 cash contributions accepted for direct operation of a regional development
8 organization a taxpayer is allowed a tax credit equal to the amount of the contribution,
9 not to exceed \$10,000. For purposes of this subsection, "regional development
10 organization" means a nonprofit organization or nonprofit corporation that

11 (1) was formed to encourage economic development within a
12 particular region of the state that includes the entire area of each municipality within
13 that region;

14 (2) has a board of directors that represents the region's economic,
15 political and social interests; and

16 (3) has been designated by the Department of Community and
17 Economic Development as a regional development organization.

18 (b) A contribution claimed as a credit under this section may not

19 (1) be claimed as a credit under another provision of this title;
20 (2) also be allowed as a deduction under 26 U.S.C. 170 against the tax
21 imposed by this chapter; and

22 (3) when combined with credits taken during the taxpayer's tax year
23 under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018,
24 AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

25 * Sec. 8. AS 43.55.019(d) is amended to read:

26 (d) A contribution claimed as a credit under this section may not

27 (1) be claimed as a credit under another provision of this title; and
28 (2) when combined with credits taken during the taxpayer's tax year
29 under AS 21.89.070, 21.89.075, AS 43.20.014, 43.20.019, AS 43.56.018,
30 AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

31 * Sec. 9. AS 43.55.019(d) is amended to read:

1 (d) A contribution claimed as a credit under this section may not
2 (1) be claimed as a credit under another provision of this title; and
3 (2) when combined with credits taken during the taxpayer's tax year
4 under AS 21.89.070, 21.89.075, AS 43.20.014, [43.20.019,] AS 43.56.018,
5 AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

6 * Sec. 10. AS 43.56.018(d) is amended to read:

7 (d) A contribution claimed as a credit under this section may not
8 (1) be claimed as a credit under another provision of this title; and
9 (2) when combined with credits taken during the taxpayer's tax year
10 under AS 21.89.070, 21.89.075, AS 43.20.014, 43.20.019, AS 43.55.019,
11 AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

12 * Sec. 11. AS 43.56.018(d) is amended to read:

13 (d) A contribution claimed as a credit under this section may not
14 (1) be claimed as a credit under another provision of this title; and
15 (2) when combined with credits taken during the taxpayer's tax year
16 under AS 21.89.070, 21.89.075, AS 43.20.014, [43.20.019,] AS 43.55.019,
17 AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

18 * Sec. 12. AS 43.65.018(d) is amended to read:

19 (d) A contribution claimed as a credit under this section may not
20 (1) be claimed as a credit under another provision of this title; and
21 (2) when combined with credits taken during the taxpayer's tax year
22 under AS 21.89.070, 21.89.075, AS 43.20.014, 43.20.019, AS 43.55.019,
23 AS 43.56.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

24 * Sec. 13. AS 43.65.018(d) is amended to read:

25 (d) A contribution claimed as a credit under this section may not
26 (1) be claimed as a credit under another provision of this title; and
27 (2) when combined with credits taken during the taxpayer's tax year
28 under AS 21.89.070, 21.89.075, AS 43.20.014, [43.20.019,] AS 43.55.019,
29 AS 43.56.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

30 * Sec. 14. AS 43.75.018(d) is amended to read:

31 (d) A contribution claimed as a credit under this section may not