

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2004 8672

11231 SENATE LABOR & COMMERCE

The Year 2002 in Review

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State marks 15 consecutive years of employment growth

1 Wage and Salary Employment Statewide — 2001-2002

	2001	2002	Change	Percent Change
Total Nonfarm Wage & Salary	289,300	295,800	6500	2.2%
Goods Producing	38,300	37,900	-400	-1.0%
Services Providing	251,000	257,900	6900	2.7%
Natural Resources & Mining	11,600	10,800	-800	-6.9%
Logging	700	500	-200	-28.6%
Mining	11,000	10,300	-700	-6.4%
Oil & Gas Extraction	9,500	8,800	-700	-7.4%
Construction	14,900	15,800	900	6.0%
Manufacturing	11,700	11,200	-500	-4.3%
Wood Products Mfg.	400	300	-100	-25.0%
Seafood Processing	7,900	7,400	-500	-6.3%
Trade, Transportation & Utilities	60,200	61,000	800	1.3%
Wholesale Trade	6,200	6,200	0	0.0%
Retail Trade	33,200	33,800	600	1.8%
General Merchandise Stores	9,200	9,400	200	2.2%
Food and Beverage Stores	5,900	5,700	-200	-3.4%
Trans/Warehousing/Utilities	20,800	20,900	100	0.5%
Air Transportation	6,600	6,300	-300	-4.5%
Truck Transportation	2,600	2,700	100	3.8%
Information	7,300	7,200	-100	-1.4%
Telecommunications	4,400	4,200	-200	-4.5%
Financial Activities	13,800	13,600	-200	-1.4%
Professional & Business Svcs	22,800	23,300	500	2.2%
Educational & Health Services	27,900	30,300	2400	8.6%
Health Care & Social Assistance	25,900	28,100	2200	8.5%
Ambulatory Health Care	10,700	11,900	1200	11.2%
Hospitals	7,300	7,500	200	2.7%
Leisure & Hospitality	28,300	29,200	900	3.2%
Accommodation	7,200	7,300	100	1.4%
Food Svcs & Drinking Places	17,200	17,500	300	1.7%
Other Services	11,900	12,300	400	3.4%
Government	78,800	81,000	2200	2.8%
Federal Government	16,800	16,800	0	0.0%
State Government	22,900	23,800	900	3.9%
Local Government	39,100	40,400	1300	3.3%
Tribal Government	3,300	3,500	200	6.1%

Benchmark: March 2002. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

STATEWIDE by Dan Robinson

Alaska recorded its fifteenth consecutive year of employment growth in 2002. The 6,500 new jobs equate to a growth rate of 2.2 percent. (See Exhibits 1 and 2.) Repeating the theme of recent years, the growth came primarily from the service-providing sector of the economy. In the goods-producing sector, only the construction industry showed growth in 2002.

New classification system enters the scene

Revised numbers for 2001 and 2002 are being published for the first time under the North American Industry Classification System, or NAICS. NAICS replaces the Standard Industrial Classification system, or SIC. The reasons behind the change are detailed in the July 2002 issue of *Alaska Economic Trends*, and some examples of what the change will mean to Alaska are discussed in the March 2003 *Trends*.

The new NAICS categories present challenges for the users of these employment data, who will be unaccustomed to the new groupings, and to the economists estimating the numbers, who will not have the benefit of extended historical data. As a result, analysis will be more complicated and revisions to the numbers are likely to be larger than usual for the next year or two.

Construction a bright spot

A significant number of public construction projects and a building season extended by unseasonably warm weather contributed to another good year

for the construction industry. The 900 new construction jobs equate to a healthy over-the-year growth rate of 6.0 percent.

Fewer oil and seafood processing jobs

After adding jobs for the last two years, the oil industry had a down year in 2002. With no major new projects in 2002, employment fell by 700 jobs, or 7.4 percent. Seafood processing jobs also fell over the year as much of Alaska's fishing industry continued to struggle with low prices and competition from farmed fish.

Strong health care growth continues

Health care and social assistance, a new category under NAICS, added 2,200 jobs in 2002. That number amounts to about a third of the state's employment growth and is an over-the-year increase of 8.5 percent. A sub-category called ambulatory health care accounts for 1,200 of the new jobs and had a whopping over-the-year growth rate of 11.2 percent. Employment classified under ambulatory health care includes physician and dentist offices, as well as other health practitioners (chiropractors, optometrists, physical therapists), medical & diagnostic laboratories, and home health care services.

Leisure and hospitality adds jobs

Another new category, leisure and hospitality, added 900 jobs in 2002. The category conveniently combines the lion's share of Alaska's visitor-related industries, facilitating analysis of this important segment of the state's economy. Growth in these industries is notable because following the September 11, 2001 terrorist attacks considerable uncertainty circulated about what kind of a visitor season the summer of 2002 would bring. A related industry, air transportation, did not fare so well, losing 300 jobs in 2002.

Professional and business services grow

The state added 500 jobs over the year in yet another new category, professional and business

services. The category combines employment in the professions including law, accounting, architecture, advertising, and engineering, with employment related to scientific research. The category also includes jobs in employment placement agencies, telephone call centers, private security firms, janitorial and landscaping services, convention and visitor bureaus, and waste collection, treatment, and disposal, among others.

State and local government add jobs

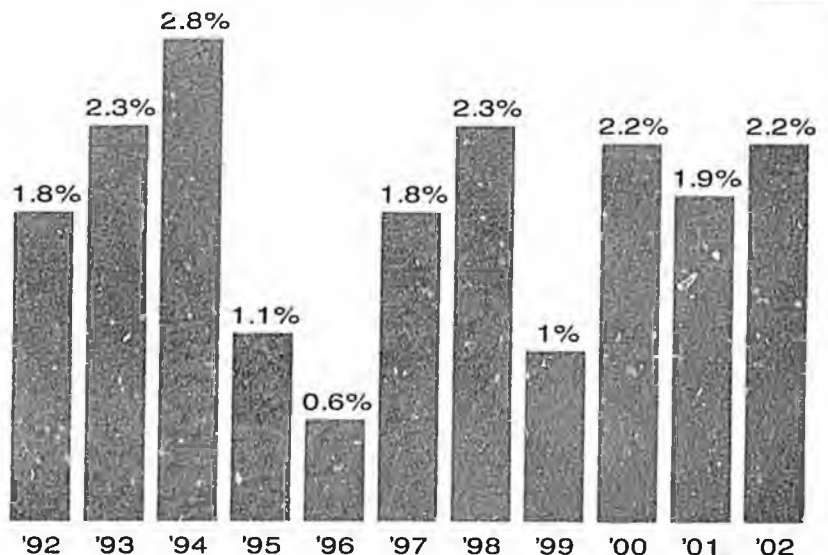
Both state and local government added a significant number of jobs in 2002. State government, which includes the University of Alaska system, added 900 jobs over the year. For its part, local government added 1,300 jobs and grew at a rate of 3.3 percent. Total employment in federal government held steady in 2002 despite several hundred new jobs in airport security.

Unemployment rate higher in 2002

Even as employment grew in 2002, unemployment grew faster. Revised numbers show that 2002's unemployment rate rose one and

State Maintains Moderate Growth 2

Percent employment change from previous year



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

three-tenths of a percentage point over the year to 7.7 percent. The rate is the highest Alaska has seen since 1997. One likely cause for the increase is the indirect effect of the unsteady national economy. During the U.S. economy's strong growth years in the mid to late 1990s, Alaska had more people migrating out of the state than migrating in.

That all changed with the national recession that began in 2001 and the uncertain recovery that persisted throughout 2002. For the first time in almost a decade, Alaska had moderate in-migration in 2002. So while Alaska's economy has continued to add jobs, it has also had to absorb more job seekers. The inability to absorb them all has led to higher unemployment rates, a condition that will likely persist until either the rate of job growth in Alaska increases or the economy in the lower 48 improves noticeably.

ANCHORAGE by Neal Fried

In 2002 employment in Anchorage climbed by 2.7 percent or by 3,800 jobs. (See Exhibits 3 and 4.) This represents a higher rate of growth than the ten-year average of approximately 2 percent but is less than 2001's growth rate of 2.8 percent. But given the oil and visitor industries' below par performance of the past year, 2002's numbers came in stronger than expected. Services, construction, retail and government generated most of the new jobs. Underlying much of this growth was the continued increase of federal funds. In a sense, 2002 was an uneventful year for Anchorage—no single economic event, or string of them, positive or negative, took place. Instead, the momentum of the past few years continued.

Unemployment stayed low

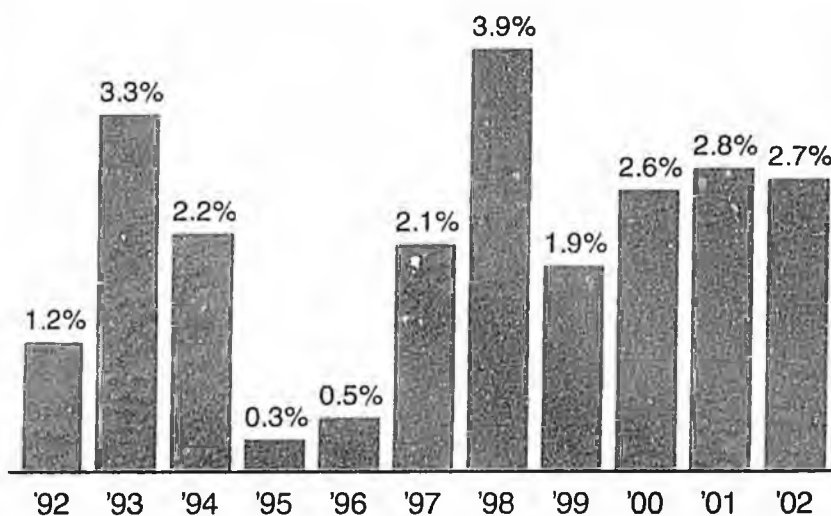
The unemployment rate for Anchorage came in at 5.4 percent, a point higher than last year's figure but below the statewide average of 7.7 percent and national figure of 5.8 percent—an indicator that the local job market remained relatively healthy. This higher rate was a sign that the job market did soften in 2002. Unlike the previous three years, job seekers reported finding fewer opportunities and employers were finding it less difficult to recruit workers.

The oil patch lost ground

After more than three years of strong oil prices one might expect petroleum industry activity to remain high, but instead in late 2001 and during all of 2002, employment in the oil industry fell. Oil industry employment in Anchorage fell by nearly 600 jobs or eighteen percent. After the big Alpine and Northstar projects and strong exploration in the previous two years, activity fell in 2002. Most of the losses came from the oil field services share of the industry but some of the producers also scaled back. Both Unocal and BP trimmed their workforces in 2002 and BP closed its Alaska exploration office. The downturn in the oil industry's activity probably best explains the overall slowdown in Anchorage's employment growth in 2002.

3 Anchorage Grows Steadily

Percent employment change from previous year



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Construction helped keep the economy on a positive track

For the second year in a row Anchorage saw strong employment growth in construction. Employment climbed nearly 500 jobs up to the 8,000 level. The city's building permit valuations totaled \$584 million in 2002, close to last year's near record of \$599 million. All of the industry's major sectors shared in the growth. Commercial construction activity was anchored by the completion of the new \$10 million headquarters for the Arctic Slope Regional Corporation—the largest commercial office building built in Anchorage since the 1980s. The construction of a new Carrs, Lowe's and Fred Meyer in Eagle River and Aspen Hotel and a host of other projects rounded out the commercial side of this industry. The \$230 million expansion of the International Airport remained the single largest public building project, but added to this list were two new high schools, an elementary school, a new National Park Service headquarters building along with a list of smaller projects. A busy and long highway season in Anchorage and the Mat-Su Valley kept Anchorage contractors busy.

It was also another good year for residential construction. Builders broke ground for 1,332 new residential units in Anchorage—again close to last year's level of 1,423 units. The average home sale value rose seven percent in 2002. Continued low interest rates and a relatively healthy economy have kept this slice of the construction industry in the black. As building lots are becoming increasingly expensive in the Anchorage bowl, more of the new housing units being built are duplexes, condominiums and other multifamily-type housing.

Another moderate year for retail

For an industry that employs more than 17,000 workers, the addition of 300 retail jobs in 2002 represents a modest increase. The new South Anchorage Fred Meyer opened in February and Lowe's opened later in the spring. Toward the end of the year, a new Best Buy electronics store opened its doors. Combined, these new stores

employ 400 to 500 workers, but because they opened up at different times of the year the net increase for 2002 was somewhat smaller. Cut-backs in existing stores also offset some of this growth. For example, KMart, which added groceries to their two operations in Anchorage during the last quarter of 2001 and hired hundreds of new workers, significantly cut back this workforce during the latter part of 2002. Then, in January of 2003, KMart announced the closure of its Alaska stores, which will affect 2003's retail employment levels.

Wage and Salary Employment **4** Anchorage – 2001-2002

	2001	2002	Change	Percent Change
Total Nonfarm Wage & Salary	138,200	142,000	3,800	2.7%
Goods Producing	12,700	12,700	-	0.0%
Services Providing	125,500	129,300	3,800	3.0%
Natural Resources & Mining	3,400	2,800	(600)	-17.6%
Mining	3,300	2,700	(600)	-18.2%
Oil & Gas Extraction	3,200	2,600	(600)	-18.8%
Construction	7,500	8,000	500	6.7%
Manufacturing	1,800	1,900	100	5.6%
Trade, Transportation & Utilities	32,500	32,700	200	0.6%
Wholesale Trade	4,700	4,700	-	0.0%
Retail Trade	16,900	17,200	300	1.8%
General Merchandise Stores	4,200	4,400	200	4.8%
Food and Beverage Stores	2,500	2,300	(200)	-8.0%
Transport/Warehousing/Utilities	10,900	10,900	-	0.0%
Air Transportation	3,500	3,400	(100)	-2.9%
Truck Transportation	1,500	1,500	-	0.0%
Information	4,800	4,700	(100)	-2.1%
Telecommunications	2,900	2,700	(200)	-6.9%
Financial Activities	8,500	8,300	(200)	-2.4%
Professional & Business Svcs	16,100	16,900	800	5.0%
Educational & Health Services	14,800	16,200	1,400	9.5%
Health Care & Social Assistance	13,600	14,800	1,200	8.8%
Ambulatory Health Care	5,400	6,200	800	14.8%
Hospitals	4,400	4,600	200	4.5%
Leisure & Hospitality	14,000	14,500	500	3.6%
Accommodation	2,800	3,000	200	7.1%
Food Svcs & Drinking Places	9,500	9,800	300	3.2%
Other Services	5,600	6,000	400	7.1%
Government	29,200	30,100	900	3.1%
Federal Government	9,700	9,600	(100)	-1.0%
State Government	9,100	9,600	500	5.5%
Local Government	10,400	10,900	500	4.8%
Tribal Government	200	200	-	0.0%

Benchmark: March 2002. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Transportation budgeted little in 2002

Employment numbers in transportation's largest sector, air transportation, moved little in 2002 but Alaska fared far better than the rest of the nation. September 11th, a slower international air cargo season during the first half of 2002, and a weaker visitor season all had negative effects on the industry. In light of the existing environment it performed surprisingly well. Employment at Alaska's largest air carrier, Alaska Airlines, actually increased a little in 2002 despite the weaker visitor season. For the state's largest two international air cargo players, Federal Express and United Parcel Services, employment held steady. International air cargo activity did make a strong comeback during the second half of 2002, but employment levels have yet to follow.

Health care and social services climbed

Education and health services created more than a third of all new jobs in Anchorage and a majority of these were in the category of health care and social assistance. All levels of health care grew in Anchorage, including hospitals, doctors' offices, clinics and just about anything else tied to this industry. An increase in federal money has also boosted employment for both health care and social service organizations. The privatization of these services was also a factor. But services growth has also come from engineering and other professional type services. The one area of services that was not a top performer was the visitor industry. By nearly all accounts businesses tied to the visitor industry struggled more than in past years. Bed taxes collected in Anchorage fell slightly—from \$11.2 in 2001 to \$11 million in 2002. However, the leisure and hospitality industry did manage to grow by three percent. Three new hotels opened in Anchorage in 2002—the Hilton Gardens, the Dimond Center Hotel and the Aspen. Food services and drinking places continued their expansion with the opening of a number of national chain restaurants in 2002, including Boston Pizza, International House of Pancakes, Applebee's and Chili's. Other smaller local establishments also opened.

State and local government grew

Federal government employment fell slightly in 2002. The privatization of military activities and the Alaska Native Medical Center might explain most of this 150-job loss. However, during the last quarter of the year employment at the federal level got a big boost when more than 300 federal security people were hired at Anchorage International Airport. Because it happened so late in the year, these new hires will have a much bigger effect on levels of federal employment in 2003.

Employment levels in state and local government grew by 500 jobs respectively. State growth came both from the University of Alaska and state government operations. Nearly all of local government's growth came from the Anchorage School District.

FAIRBANKS by Brigitta Windisch-Cole

If construction employment were the bellwether for the economy, Fairbanks would have recorded fabulous growth in 2002. Construction employment grew at the impressive rate of 12.5 percent. Overall, Fairbanks' economy booked a much more modest increase of 1.9 percent. (See Exhibits 5 and 6.) That translated to a gain of 650 jobs. Outside of construction, most sectors grew little or remained the same. Still, the big push from construction kept the local economy on track for its 14th year of growth.

Construction flexed strong muscles

The dramatic growth in construction came from big public sector projects and a blend of commercial and residential building. Over a third of all new jobs created in the local economy were in construction. The net gain of 250 jobs in this industry resulted in an average employment level of 2,250. This was Fairbanks' best building season in seventeen years. The museum expansion, the Westmark Hotel renovation, and road projects such as Badger overpass, are a few examples of

the 2002 construction agenda. Proximity to the large Fort Greely missile site project also contributed to Fairbanks' performance.

In the Borough, the cornerstone project remained the \$215 million Basset Hospital, but other large military projects kept construction crews busy as well. A number of projects were not completed during 2002 and will carry over to the 2003 season.

Health care & social assistance climbed

Demographics are often cited to explain the rise in health care employment. Fairbanks is aging, despite the presence of large young adult age cohorts that dominate the military and university populations. According to the Census Bureau, the median age in Fairbanks rose by two years between 1990 and 2000 to 29.5 years. While this remains below the statewide figure, aging baby boomers are a significant part of Fairbanks' population. This group, as elsewhere in the state, has influenced the demand for health care. The widening repertoire of specialized services also explains some of the industry's growth. Employment in the health care and social assistance category in Fairbanks rose by 100 in 2002. (See Exhibit 6.)

Opposite business cycles emerged in mining

Mining employment in 2002 was a combination of growth and contraction. The oil and gas industry cut jobs while gold mining enjoyed an up cycle. Alaska's oil producers have curtailed capital spending on North Slope development, which resulted in a down year for Fairbanks' oil and gas support industry. Stringent cost controls in oil transportation further curtailed business for oil industry contracting partners.

Fairbanks' dominant gold mining employer, Ft. Knox, had a good year. At the beginning of 2002 an ounce of gold traded well below \$300 per ounce on world markets but by year's end prices had climbed to over \$340 per ounce. In addition, the 2001 acquisition of the True North

deposit has helped the mine to mill more ore and increase production. As a result, employment has steadily risen at the mine. Staff levels in 2002 were about 380, up 85 jobs from 2000.

Transportation stayed on the level

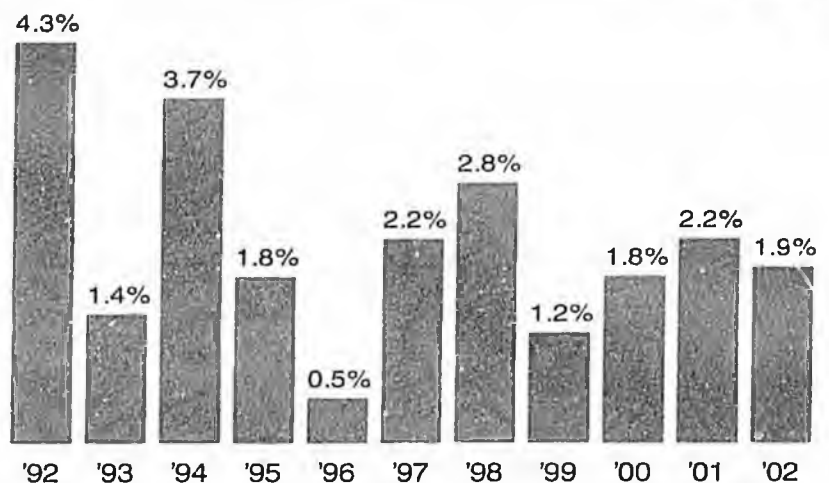
While employment in the transportation sector appeared to be steady, a closer examination reveals some problems. In the second half of the year, Alyeska Pipeline Service Company started to transfer personnel from its Fairbanks business unit back to Anchorage. More than 100 jobs have now been moved. The impact of the move will become more apparent in 2003 employment numbers. Ground transportation, especially trucking, also helped mask some of the loss.

Some growth in retail jobs

Fairbanks added 250 retail jobs in 2002, despite the constant flux on the national retail scene that has kept Fairbanks lean in retail employment and left voids in the local market place. Little empty retail space was filled this past year, although a new Home Depot store helped overall retail employment grow. General merchandise, the department store section, was still ailing, suffering a loss of 100 jobs. This loss came from a cumulative downsizing of staff in several large stores, and does not reflect the loss of

Fairbanks is Still Growing **5**

Percent employment change from previous year



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

the Kmart Super Center, which will register in 2003.

Uncertainties surrounded the visitor industry

With the advent of the North American Industry Classification System, a clearer picture can now be drawn of the visitor industry and its influence on employment. NAICS established a new sector for leisure and hospitality. Amusement, accommodation, and eating & drinking employment are all counted here. Employment in this new sector averaged 3,850 jobs in 2002.

The trend in hotel employment and room revenues

ran counter to these gains. Hotel employment was down four percent and room revenues fell eight percent below 2001 averages. Several reasons may explain the weakness of this past travelling season. The national recession and consumer confidence shaken by national security concerns may have played a role. Competition is another possibility. The favorable exchange rate of the Canadian dollar to U.S. and other currencies may have diverted some travelers to the Yukon Territory for their Arctic experience.

Employment in restaurants and amusement services, which get their stimuli not only from visitors but also from local populations, grew by 100 jobs. Several new dining places opened in Fairbanks during 2001 and 2002. Recreational services employment has grown not only in Fairbanks but across the state and nation. Sports club memberships, for example, have risen sharply in the past decade.

Government employment shifted

Public sector employment gains in 2002 are largely attributable to state government. State government added 200 jobs in 2002, many of them at the University of Alaska. These gains offset small employment losses on the local and federal level. Downsizing the federal workforce has been a national policy for several years and specific agencies have felt the effects. The civilian contingent of the Department of Defense, for example, has become considerably smaller. Privatization of support services on the bases has replaced federal employees with private sector workers. However, this past November a change in the opposite direction occurred. The newly created transportation security division created more than 90 new federal jobs at Fairbanks International Airport.

6 Wage & Salary Employment Fairbanks 2001-2002

	2001	2002	Change	Percent Change
Total Nonfarm Wage & Salary	34,700	35,350	650	1.9%
Goods Producing	3,500	3,700	200	5.7%
Services Providing	31,200	31,650	450	1.4%
Natural Resources & Mining	950	900	-50	-5.3%
Mining	950	900	-50	-5.3%
Oil & Gas Extraction	550	450	-100	-18.2%
Construction	2,000	2,250	250	12.5%
Manufacturing	550	550	0	0.0%
Trade, Transportation & Utilities	7,050	7,250	200	2.8%
Wholesale Trade	500	500	0	0.0%
Retail Trade	3,900	4,150	250	6.4%
General Merchandise Stores	1,250	1,150	-100	-8.0%
Food and Beverage Stores	400	400	0	0.0%
Trans/Warehousing/Utilities	2,600	2,600	0	0.0%
Air Transportation	900	850	-50	-5.6%
Truck Transportation	600	650	50	8.3%
Information	600	600	0	0.0%
Telecommunications	300	350	50	16.7%
Financial Activities	1,300	1,300	0	0.0%
Professional & Business Svcs	2,100	1,800	-300	-14.3%
Educational & Health Services	3,400	3,550	150	4.4%
Health Care & Social Assistance	3,200	3,300	100	3.1%
Leisure & Hospitality	3,700	3,850	150	4.1%
Accommodation	1,050	1,000	-50	-4.8%
Food Svcs & Drinking Places	2,300	2,400	100	4.3%
Other Services	1,950	2,050	100	5.1%
Government	11,150	11,250	100	0.9%
Federal Government	3,350	3,300	-50	-1.5%
State Government	4,700	4,900	200	4.3%
Local Government	3,100	3,050	-50	-1.6%

Benchmark: March 2002. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

SOUTHEAST REGION by Neal Gilbertsen

The Southeast regional economy shed 150 jobs in 2002, resulting in a four-tenths percent decline from 2001. While not as severe as that experienced from 1997 to 1998, the setback was the third largest in a decade, and the first time in the decade that the region has suffered two consecutive years of decline. Job losses in logging and wood products manufacturing were major factors contributing to this negative trend. Transportation jobs also fell and jobs in the new category of leisure and hospitality showed no growth. Educational and health services and government were the two categories that showed noticeable growth. (See Exhibit 8.)

The Southeast goods producing sector did not have a good year in 2002. The year opened with the failure of Gateway Forest Products and closed with Wards Cove Packing Company's announcement that it would not operate in 2003. Construction employment was flat, and the news from the rest of the sector was disappointing.

Timber

The newly adopted U.S. tariff imposed on Canadian softwoods resulted in shipment of more than a billion feet of Canadian lumber across the border prior to the tax's taking effect in May 2002. Already low lumber prices collapsed under this glut, and logging operations and lumber mills across both the U.S. and Canada were curtailed or closed for much of the year. For the already struggling timber industry in Southeast, this spelled further hardships. Largely as a result of the Gateway closure, the wood products industry shed over 100 jobs. Nearly 200 additional logging jobs disappeared as the economic effects of low prices added to the industry's woes. Most recently, Silver Bay, the largest logging company in Southeast, has filed for bankruptcy protection as it seeks to reorganize.

Seafood

The full impact of the Wards Cove closure has not yet been felt in Southeast; still the loss of a major

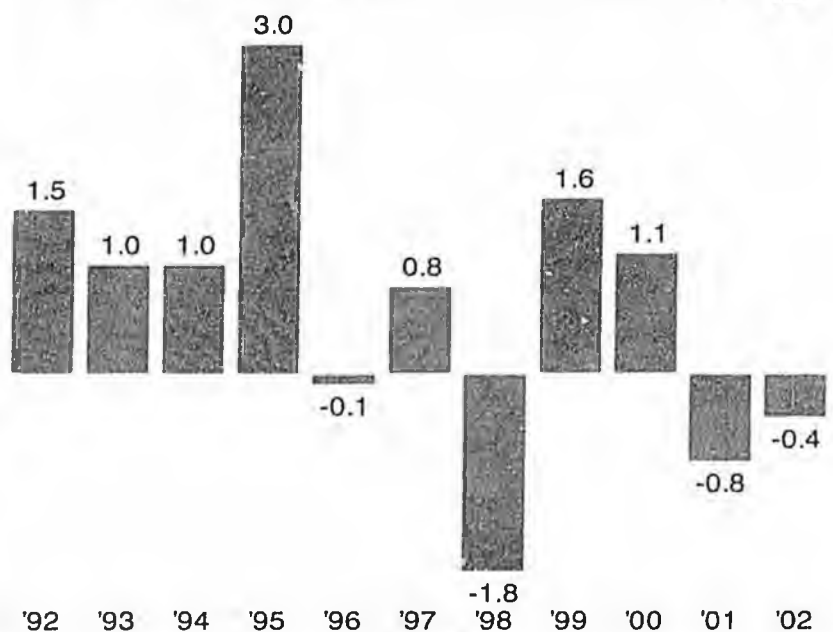
buyer and two of its three seafood processing plants is cause for concern. (E.C. Phillips and Assoc. have acquired the cold storage plant in Ketchikan.) While 2002 seafood processing employment remained unchanged from 2001, it seems likely that 2003 will see significant reductions unless new operators for the remaining plants step forward. Unfortunately, the underlying causes of the Wards Cove closure, low prices and farmed fish competition, continue to plague both fishermen and processors.

Fish prices remain low

According to the Alaska Department of Fish and Game, the 2002 Southeast salmon fisheries produced 242 million pounds, 95 million pounds fewer than the 337 million pounds of 2001. The ex-vessel value of this harvest was estimated to be \$38.9 million, down \$53.9 million from the 2001 landings of \$92.8 million. A very similar harvest level of 242.5 million pounds in 2000 produced nearly twice as much revenue, \$72.2 million. Due to low prices and processor restrictions on the number of vessels whose fish they would purchase, fewer fishermen participated in the

Southeast Employment Declines 7

Percent employment change from previous year



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

harvest. Only 273 purse seine vessels operated in 2002 compared to 345 in 2001. Similar reductions in effort characterized the power troll and drift gillnet fisheries. Fewer vessels and fewer fishermen resulted in reduced demand for support industries such as fuel docks, grocery stores, and ship chandlers.

While the Alaska Department of Fish and Game expects strong returns in 2003, depressed ex-vessel prices, loss of processing capacity and ever-lower fleet participation do not point to an early recovery of the industry.

Services

Most services employment remained flat in 2002. The losses that occurred in transportation and in accommodation employment may point to a leveling off in tourist related industries. The major gains in health care and social assistance continue a long-term trend and are probably attributable to Southeast's aging population. Both wholesale and retail trade posted gains for the year, but the closure of Juneau's KMart makes it unlikely that this growth will continue through 2003.

The addition of more than 150 airport security personnel created federal employment growth. State government also grew, adding 170 jobs, most of which can be attributed to the University of Alaska Southeast. The apparent increase masks the fact that state government has grown very slowly over the past 13 years. The average annual rate of increase in state government, including the University, from 1990 through 2002 has been approximately one half of one percent, with total employment increasing from 5,600 to 6,000.

8 Wage & Salary Employment Southeast 2001-2002

	2001	2002	Change	Percent Change
Total Non-farm Wage & Salary	35,950	35,800	-150	-0.4%
Goods Producing	4,300	3,950	-350	-8.1%
Services Providing	31,650	31,850	200	0.6%
Natural Resources & Mining	800	650	-150	-18.8%
Logging	500	300	-200	-40.0%
Mining	300	300	0	0.0%
Construction	1,600	1,600	0	0.0%
Manufacturing	1,850	1,700	-150	-8.1%
Wood Products Mfg.	300	150	-150	-50.0%
Seafood Processing	1,300	1,300	0	0.0%
Trade, Transportation & Utilities	7,100	6,950	-150	-2.1%
Retail Trade	4,250	4,300	50	1.2%
Trans/Warehousing/Utilities	2,400	2,150	-250	-10.4%
Information	550	500	-50	-9.1%
Financial Activities	1,300	1,250	-50	-3.8%
Professional & Business Svcs	1,350	1,400	50	3.7%
Educational & Health Services	3,200	3,400	200	6.3%
Health Care & Social Assistance	3,000	3,150	150	5.0%
Leisure & Hospitality	3,750	3,700	-50	-1.3%
Accommodation	1,400	1,300	-100	-7.1%
Food Svcs & Drinking Places	1,600	1,600	0	0.0%
Other Services	1,150	1,150	0	0.0%
Government	13,500	13,500	0	0.0%
Federal Government	1,750	1,850	100	5.7%
State Government	5,450	5,650	200	3.7%
Local Government	5,950	6,000	50	0.8%
Tribal Government	550	550	0	0.0%

Benchmark: March 2002. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

GULFCOASTREGION

by Brigitta Windisch-Cole

The Gulf Coast region includes the Kenai Peninsula area, the Kodiak Island Borough and the Valdez-Cordova census area. Employment in the regional economy increased by just half a percent or 150 jobs in 2002. (See Exhibit 9.) Gains in public sector employment and the leisure and hospitality category largely offset continuing job losses in the seafood processing industry.

Job losses mount in the seafood industry

Before the 2002 summer salmon season, Polar Equipment, which operated under the name of Cook Inlet Processors, sold its plants in Kenai and Kodiak to Ocean Beauty Seafoods of Kodiak. At year end Wards Cove Packing Company announced the closure of its plants. The exodus of seafood processing firms illustrates the weakness of the Alaska salmon industry that has severely impacted the Gulf Coast region. In 1994, the Gulf's seafood processing industry employed 3,500 workers. By 2002, the employment level had shrunk to 2,200 jobs, a decline of 38 percent over this eight-year period. (See Exhibit 9.)

Salmon fishermen in Kodiak, Prince William Sound, and Cook Inlet have experienced a downturn in earnings and suffered the devaluation of their assets over the past decade. Investments in fishing permits, boats and gear have fallen to a small fraction of their former values. In 2002, earnings for fishermen in Kodiak dropped 45 percent from 2001 and in Prince William Sound harvest value took a cut of 27 percent. Only Cook Inlet fishermen experienced an increase in 2002, with the harvest value up 57 percent and harvest volume up 84 percent. Participation in the fisheries in all three areas has declined, and many harvesters have fished shortened seasons because of low prices and imposed harvest limits. Due to poor market conditions, fish buyers' interest in processing the harvests has also become problematic.

Fishery reliant areas of the Gulf such as Kodiak Island, where many residents have lifetime investments in the industry, are experiencing lean times and are losing population. The diversification of Kodiak's fisheries has partially cushioned the severe economic setbacks associated with salmon and herring.

Other industries are more stable

The performances of other industries in the Gulf Coast are somewhat better. The Cook Inlet oil and gas industry even made a comeback. Exploration continued and new deposits were identified. A gas pipeline between Ninilchik and Kenai is

Wage & Salary Employment Gulf Coast Region 2001-2002

	2001	2002	Change	Percent Change
Total Non-farm Wage & Salary	27,850	28,000	150	0.5%
Goods Producing	6,150	5,950	-200	-3.3%
Services Providing	21,700	22,050	350	1.6%
Natural Resources & Mining	1,400	1,450	50	3.6%
Oil & Gas Extraction	1,250	1,300	50	4.0%
Construction	1,600	1,600	0	0.0%
Manufacturing	3,150	2,900	-250	-7.9%
Seafood Processing	2,450	2,200	-250	-10.2%
Trade, Transportation & Utilities	5,500	5,550	50	0.9%
Retail Trade	3,300	3,300	0	0.0%
Trans/Warehousing/Utilities	1,900	1,900	0	0.0%
Information	400	450	50	12.5%
Financial Activities	800	850	50	6.3%
Professional & Business Svcs	1,450	1,400	-50	-3.4%
Educational & Health Services	1,800	1,850	50	2.8%
Health Care/Social Assistance	1,700	1,750	50	2.9%
Leisure & Hospitality	3,100	3,150	50	1.6%
Accommodation	1,000	1,150	150	15.0%
Food Svcs & Drinking Places	1,750	1,750	0	0.0%
Other Services	1,450	1,400	-50	-3.4%
Government	7,200	7,350	150	2.1%
Federal Government	750	800	50	6.7%
State Government	1,600	1,650	50	3.1%
Local Government	4,850	4,900	50	1.0%
Tribal Government	300	350	50	16.7%

Benchmark: March 2002. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

currently being built. Unocal announced that it will shut down its platforms, but other oil companies are looking at Cook Inlet with increased interest. Pipeline employment at the Valdez terminus fell, with employees of the Valdez business unit being moved back to Anchorage.

SOUTHWEST REGION

by Brigitta Windisch-Cole

Older population drives growth

Health care employment continued to grow in 2002. The aging of the population and an emerging mail box economy based on retirement checks is linked to the increased demand for health services. The Kenai Peninsula appears to be attracting an influx of retirement age population. Among the three Gulf areas, the Kenai Peninsula has the most diversified economy and benefits from proximity to Anchorage. Its natural beauty and recreational opportunities not only lure retirees but attract a large visitor clientele from Anchorage and elsewhere.

The visitor industry continues to enlarge

The visitor industry continued to grow in 2002. Employment increases were mainly associated with hotels. Two large new businesses opened this season: the Aspen Hotel in Soldotna and the Princess Hotel at the entrance of the Wrangell/ St. Elias National Park at Copper Center. An Aspen Hotel, a remodeled property, will open this year in Valdez.

The public sector adds staff

Public sector employment increased in 2002 at all three levels of government. Federal employment grew with the hiring of security personnel at Gulf region airports. Kodiak alone gained more than 30 federal workers. Increased university staff largely explained growth in state government. The gain in local government stemmed from hiring at the two Kenai Peninsula hospitals and enhanced tribal employment.

Although the decline in seafood processing employment cost 300 jobs, wage and salary employment was above 2001 levels by 250 jobs. Overall employment registered 1.4 percent growth in 2002. (See Exhibit 10.) The public sector contributed 150 new jobs. Health care and social assistance led employment growth among the other services producing industries, adding 150 new jobs. The remaining small gain was evenly spread among the services sectors.

Fishing is the economic mainstay in Southwest Alaska. The 2002 fishing seasons produced mixed results. The Bering Sea groundfish fleet had a successful year. Crab fishermen had a more mixed experience. The winter crab harvest was small and prices were down early in 2002. The Red King crab fishery, however, was profitable for most participants and harvest prices were high.

Only a few seafood companies showed up in Bristol Bay to process fish. Numerous plants remained dormant, there were very few fish, and the harvest price was low. Many fishermen opted to sit out the season fearing the costs of participation would exceed gross earnings. All in all, it was another disastrous year for the Bristol Bay fishery.

Two of the three areas making up the Bristol Bay region have lost population, and the third is barely holding its own. Populations in Bristol Bay and Lake and Peninsula Boroughs both fell by 9.1 percent between 2000 and 2002. The Dillingham census area gained just eight new residents, which means that natural increase (births minus deaths) could barely mask the out-migration trend. This population trend underscores the problems associated with the local fishery.

NORTHERN REGION

by Brigitta Windisch-Cole

Wage and salary employment increased by 200 jobs in 2002. The corresponding growth rate for the year was 1.3 percent, and contained only small changes in industry employment. Employment in the North Slope Borough oil fields remained flat for most of the year. With the exception of a few maintenance and upgrade programs, the industry concentrated on oil and gas production from existing fields.

Employment in the western part of the region that encompasses the Nome Census Area, the Northwest Arctic, and the North Slope Boroughs grew some with the public sector creating most of the new jobs. Increases in local government employment took place in school districts, federally recognized tribes, and other government entities. Most of the new job creation in the private sector was in the educational and health services category. A soft spot was mining employment at the Red Dog Mine. Employment levels there dropped by about 25 jobs in 2002 from its 2001 average.

Wage & Salary Employment Southwest Region 2001-2002

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	2001	2002	Change	Percent Change
Total Nonfarm Wage & Salary	18,050	18,300	250	1.4%
Goods Producing	4,300	4,050	-250	-5.8%
Services Providing	13,750	14,250	500	3.6%
Seafood Processing	4,150	3,850	-300	-7.2%
Government	7,300	7,450	150	2.1%
Federal Government	350	350	0	0.0%
State Government	500	550	50	10.0%
Local Government	6,400	6,550	150	2.3%
Tribal Government	1500	1550	50	3.3%

Benchmark: March 2002. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Wage & Salary Employment Northern Region 2001-2002

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	2001	2002	Change	Percent Change
Total Nonfarm Wage & Salary	15,950	16,150	200	1.3%
Goods Producing	5,600	5,550	(50)	-0.9%
Services Providing	10,350	10,650	300	2.9%
Oil & Gas Extraction	4,400	4,450	50	1.1%
Government	4,850	5,100	250	5.2%
Federal Government	150	150	-	0.0%
State Government	300	350	50	16.7%
Local Government	4,350	4,600	250	5.7%
Tribal Government	500	550	50	10.0%

Benchmark: March 2002. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

The Alaska Department of Labor and Workforce Development revises the nonfarm wage and salary employment estimates each January in a procedure called benchmarking. Exhibits 1 and 2 show statewide revised estimates for 2001 and 2002.

1 Wage and Salary Employment 2001

	Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	Annual Average
Nonfarm Wage & Salary	264,900	274,100	276,700	281,900	293,250	303,600	311,700	312,400	305,000	290,300	280,000	277,300	289,300
Goods Producing	29,900	35,000	35,400	35,600	37,200	41,600	49,900	49,400	44,600	38,300	32,400	29,800	38,300
Services Providing	235,000	239,100	241,300	246,300	256,100	262,000	261,800	263,000	260,500	252,000	247,600	247,500	251,000
Nat Resource/Mining	10,500	11,500	11,600	11,800	12,000	12,300	12,200	12,100	12,000	11,800	11,200	10,700	11,600
Logging	300	500	700	900	900	900	900	900	900	700	600	300	700
Mining	10,300	11,000	11,000	11,000	11,300	11,500	11,300	11,200	11,100	11,100	10,700	10,400	11,000
Oil & Gas Extraction	9,000	9,700	9,600	9,600	9,800	9,800	9,600	9,500	9,500	9,500	9,200	9,000	9,500
Construction	10,900	11,500	12,100	13,300	14,900	17,200	18,200	19,000	18,100	16,800	14,100	13,100	14,900
Manufacturing	8,500	12,000	11,800	10,500	10,300	12,200	19,500	18,300	14,500	9,800	7,100	6,000	11,700
Wood Products Mfg.	400	400	300	400	500	500	500	500	500	400	400	400	400
Seafood Processing	5,100	8,600	8,400	6,900	6,400	7,900	15,300	14,100	10,300	5,700	3,300	2,200	7,900
Trade/Trans/Util	55,600	55,300	55,800	57,800	61,100	64,000	65,600	65,500	63,400	60,500	58,800	58,700	60,200
Wholesale Trade	5,900	5,900	5,900	6,000	6,200	6,400	7,000	6,900	6,400	6,000	5,900	5,900	6,200
Retail Trade	31,500	31,000	31,100	32,000	33,400	34,900	35,100	35,100	34,300	33,500	33,400	33,400	33,200
Food/Bev Stores	5,900	5,700	5,800	5,800	6,000	6,200	6,300	6,200	6,100	5,800	5,700	5,600	5,900
Gen Merch. Stores	8,500	8,500	8,500	8,700	8,900	9,300	9,400	9,500	9,500	9,800	9,800	9,700	9,200
Trans/Warehouse/Util	18,300	18,400	18,700	19,800	21,600	22,700	23,500	23,600	22,700	21,000	19,500	19,400	20,800
Air Transportation	6,400	6,300	6,300	6,400	6,800	7,200	7,100	7,100	7,000	6,500	6,300	6,300	6,600
Truck Trans	2,300	2,400	2,400	2,500	2,700	2,800	3,000	2,900	2,800	2,700	2,600	2,600	2,600
Information	7,300	7,400	7,400	7,200	7,400	7,500	7,500	7,500	7,300	7,300	7,300	7,200	7,300
Telecommunications	4,300	4,200	4,200	4,300	4,300	4,400	4,400	4,500	4,400	4,400	4,400	4,300	4,400
Financial Activities	13,400	13,400	13,400	13,600	14,000	14,500	14,300	14,400	14,100	13,700	13,400	13,500	13,800
Prof/Biz Svcs	21,200	21,900	21,900	22,100	22,100	24,100	24,500	24,800	23,600	22,500	21,700	21,600	22,800
Education/Health Svc	25,500	27,000	27,300	27,400	27,800	27,900	26,000	23,400	28,400	28,600	29,800	29,000	27,900
HealthCare/Soc	24,600	25,000	25,300	25,400	25,700	26,000	26,200	26,300	26,300	26,400	26,600	26,800	25,900
Amb. Health Care	10,100	10,300	10,400	10,500	10,600	10,800	11,000	11,000	10,900	11,000	11,100	11,200	10,700
Hospitals	7,000	7,100	7,200	7,200	7,200	7,300	7,300	7,400	7,400	7,400	7,300	7,400	7,300
Leisure & Hospitality	23,800	24,500	24,700	26,000	29,300	33,500	34,100	34,200	31,600	26,700	25,300	25,400	28,300
Accommodation	5,500	5,600	5,700	6,000	7,400	9,700	10,300	10,200	8,800	6,500	5,500	5,600	7,200
Food Svcs/Drinking	15,000	15,400	15,600	16,500	17,900	19,600	19,400	19,400	18,600	16,500	16,200	16,100	17,200
Other Services	11,400	11,500	11,700	11,800	12,150	12,300	12,100	12,200	12,100	11,900	11,800	11,800	11,900
Government	75,700	78,300	79,200	80,300	81,300	78,200	75,600	76,100	80,000	80,800	80,500	80,200	78,800
Federal	16,300	16,200	16,300	16,400	16,900	17,600	17,600	17,400	17,300	16,500	16,300	16,900	16,800
State	21,500	22,800	23,100	23,300	23,500	22,100	22,300	21,900	23,700	23,700	23,700	23,500	22,900
Local	37,900	39,300	39,800	40,600	40,900	38,400	35,700	36,800	39,000	40,700	40,500	39,800	39,100
Tribal	2,900	3,000	3,050	3,100	3,200	3,400	3,600	3,600	3,500	3,600	3,400	3,400	3,300

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Wage and Salary Employment 2002

2

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual Average
Nonfarm Wage & Salary	271,200	280,400	283,500	286,600	298,200	308,100	317,100	317,800	310,600	298,600	289,600	287,400	295,800
Goods Producing	30,900	35,100	35,400	34,500	36,100	40,700	48,900	47,900	43,500	38,100	32,900	30,300	37,900
Services Providing	240,300	245,400	248,100	252,100	262,000	267,400	268,200	269,900	267,200	260,500	256,700	257,000	257,900
Nat Resource/Mining	10,500	10,700	10,800	11,100	10,800	11,000	11,400	11,300	10,900	10,750	10,300	9,900	10,800
Logging	200	300	400	500	600	700	700	800	700	600	600	300	500
Mining	10,300	10,500	10,500	10,500	10,200	10,300	10,700	10,500	10,200	10,100	9,900	9,900	10,300
Oil & Gas Extraction	8,900	9,100	9,100	9,100	8,700	8,700	9,000	8,900	8,600	8,500	8,400	8,400	8,800
Construction	12,200	12,400	12,800	13,400	15,900	18,200	19,100	19,700	19,000	17,700	15,500	14,100	15,800
Manufacturing	8,200	11,900	11,700	10,000	9,500	11,600	18,300	16,900	13,500	9,600	7,000	6,300	11,200
Wood Products Mfg.	300	300	300	300	300	300	400	400	400	300	400	300	300
Seafood Processing	4,600	8,300	8,000	6,400	5,700	7,700	14,100	12,500	9,300	6,000	3,400	2,600	7,400
Trade/Trans/Util	56,700	57,000	57,800	58,700	62,300	64,800	65,800	65,900	63,500	60,600	59,800	59,700	61,000
Wholesale Trade	5,700	5,700	5,800	6,100	6,300	6,500	7,000	6,900	6,400	6,200	6,200	6,000	6,200
Retail Trade	32,000	31,900	32,150	32,500	34,200	35,400	35,800	35,600	34,900	34,100	34,100	34,000	33,900
Food/Bev Stores	5,400	5,500	5,500	5,500	5,800	6,000	6,100	5,900	5,800	5,700	5,700	5,550	5,700
Gen Merch. Stores	9,300	9,100	9,200	9,100	9,200	9,500	9,600	9,500	9,400	9,700	9,800	9,700	9,400
Trans/Warehouse/Util	19,000	19,400	19,900	20,000	21,900	22,800	23,000	23,400	22,200	20,400	19,500	19,700	20,900
Air Transportation	6,100	6,100	6,100	6,300	6,700	7,100	6,900	6,900	6,600	5,800	5,600	5,500	6,300
Truck Transport	2,500	2,600	2,500	2,600	2,800	3,000	3,000	3,000	2,800	2,700	2,600	2,500	2,700
Information	6,900	6,800	6,900	7,100	7,200	7,200	7,500	7,300	7,300	7,200	7,300	7,200	7,200
Telecommunications	4,100	4,100	4,100	4,100	4,100	4,200	4,400	4,300	4,300	4,300	4,200	4,200	4,200
Financial Activities	13,200	13,200	13,300	13,200	13,600	14,000	14,100	14,300	14,000	13,700	13,400	13,500	13,600
Prof/Biz Svcs	21,200	21,800	22,000	22,200	23,100	24,100	24,800	26,000	24,800	23,900	22,800	22,700	23,300
Education/Health Svc	29,000	29,500	29,700	30,100	30,400	30,600	30,600	30,700	30,400	30,700	30,700	30,800	30,300
HealthCare/Soc	26,800	27,200	27,500	27,800	28,200	28,400	28,600	28,600	28,300	28,600	28,500	28,700	28,100
Amb. Health Care	11,300	11,400	11,700	11,700	11,900	12,100	12,200	12,400	12,100	12,200	12,200	12,400	12,000
Hospitals	7,300	7,400	7,400	7,400	7,500	7,500	7,600	7,500	7,500	7,500	7,600	7,500	7,500
Leisure & Hospitality	24,000	24,800	25,000	26,800	30,300	34,000	35,100	34,800	32,400	28,300	27,200	27,200	29,200
Accommodation	5,400	5,500	5,500	6,000	7,700	9,600	10,400	10,200	8,900	6,700	5,900	5,900	7,300
Food Svcs/Drinking	15,200	15,600	15,900	16,800	18,200	19,600	20,000	19,900	19,000	17,000	16,700	16,550	17,500
Other Services	11,600	11,800	12,000	12,100	12,300	12,300	12,700	12,800	12,700	12,600	12,300	12,400	12,300
Government	77,700	80,400	81,400	82,000	82,800	80,300	77,600	78,000	82,000	83,400	83,300	83,600	81,000
Federal	15,900	15,900	16,000	16,000	16,600	17,400	17,500	17,200	17,300	17,300	17,200	17,400	16,800
State	22,500	23,900	24,100	24,300	24,300	23,600	23,000	23,100	24,400	24,200	24,200	24,000	23,800
Local	39,300	40,700	41,200	41,600	41,900	39,300	37,100	37,600	40,400	41,900	41,900	42,100	40,400
Tribal	3,200	3,200	3,300	3,200	3,400	3,700	4,000	4,000	3,600	3,900	3,600	3,600	3,600

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

January Economic Overview

Employment and unemployment steady, groundfishery looking good

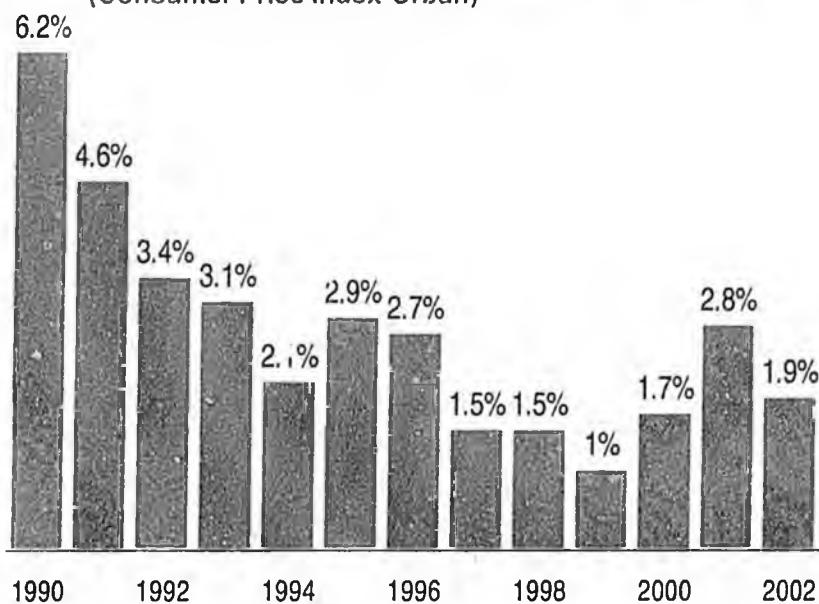
Alaska Employment Scene

by
Brigitta Windisch-Cole
Labor Economist

Following a year of employment growth that averaged 2.2 percent, January 2003 employment statistics showed an identical 2.2 percent increase over January 2002. The annual comparison implies that 6,000 jobs were created. (See Exhibit 2.) This level of over-the-year growth should, however, be viewed with a degree of caution.

January 2003 was the first month employment estimates were conducted using a new federally mandated estimation technique. The statewide estimates are now based on probability samples that have been tested on a national basis, but not in Alaska. Therefore, state analysts have no experience in assessing the quality of the techniques or the resulting estimates. The North American Industry Classification System (NAICS) conversion took effect at the beginning of 2003, which meant that many employers changed industry classification. As with any conversion, some problems surfaced. A few of the difficulties stemmed from code changes, but programming errors also occurred. While most of these problems were minor and were corrected in a timely manner, a small possibility of undetected errors remains.

1 Anchorage Consumer Prices Rise Change from previous year in CPI-U (Consumer Price Index-Urban)



Source: U.S. Bureau of Labor Statistics

January's unemployment rate held steady

January's unemployment rate (civilian, not seasonally adjusted) remained unchanged at 8.6 percent from December and also registered the same as in January 2002. (See Exhibit 5.) Nearly 28,900 workers were unemployed this month. Anchorage's 5.8 percent unemployment rate was the lowest rate in the state. Its large year-round employment base and this year's high level of winter building activity helped the Anchorage job market to remain competitive. In many rural areas the unemployment rates climbed or re-

mained at high levels. This is typical in January due to scaled back off-seasonal employment.

KMart closes

Not all national events bypass the state. The retail giant Kmart announced that it would close 300 stores in the nation as part of its bankruptcy reorganization plan. Nationwide, approximately 37,000 retail workers will lose their jobs. Among the casualties are all five Alaska stores. This will amount to a statewide loss of approximately 900 jobs in April. Retail markets in Anchorage, Kenai, Fairbanks and Juneau will become smaller, unless new entrants fill the void.

Seafood summary

In the seafood industry, Wards Cove Packing Company has announced that it will no longer process salmon in the state. While buyers for two cold storage facilities, one in Ketchikan and the other in Seward, have stepped forward, it seems likely that several canneries will remain closed in 2003. This will mean fewer jobs in seafood processing. For seafood harvesters the Wards Cove closure will further constrict the already depressed markets for salmon in the Southeast, Gulf and Western salmon fishing regions. In some communities this closure will deprive the local market of its sole buyer. This event clouds this summer's economic performance and presents even more challenges for the salmon industry during the upcoming season.

Additional concerns pertain to the salmon industry. Court hearings began in January in a class-action lawsuit brought by a large Bristol Bay harvester group asking damages of \$1.4 billion from Bristol Bay processors and Japanese buyers. The suit alleges price fixing among fish processors and buyers between 1989 and 1995. Several companies have settled out of court for \$40 million. Although a settlement would infuse much needed cash into an economically distressed

fleet, the lawsuit could also involve long lasting market consequences for Alaska's salmon. Abundant farm-raised salmon is available to seafood buyers and it continues to gain market share.

Crab and groundfish have good seasons

Not all news from the Alaska fishing grounds was bad. Due to good weather conditions, the crab fleet, consisting of 190 boats, took the 2003 January snow crab harvest in just eleven days. Although this year's harvest quota was more than twelve percent lower than last year's, it increased in value. Prices of \$1.85 per pound could produce earnings of \$45 to \$50 million, roughly 30 percent above last year's yield.

Over the past decade the groundfishery has developed into the most valuable harvest in the state. The 2003 season may produce the most valuable on record. The 2003 first pollock season started in January on an optimistic note in the Western region. A near record high quota, set at 1.485 million metric tons for pollock and 200,000 metric tons for pacific cod portends another year of good fishing in the Bering Sea. Global demand for both species has remained strong. Groundfish processing communities such as Unalaska and Akutan will benefit from the enhanced production and increased fishing efforts stimulated by the high quota. Other Bering Sea villages stand a good chance of reaping benefits from the Community Development Quota fishery that are likely to bring higher profits than last year to the six individually managed groups.

Prices in Anchorage remain stable

The Bureau of Labor Statistics publishes a Consumer Price Index (CPI) for Anchorage twice a year. The second half-year index reveals that prices increased 1.9 percent between July and December 2002. Anchorage's annual increase also averaged 1.9 percent (see Exhibit 1), which was greater than the national rate of 1.6 percent.

(continued on page 30)

2 Nonfarm Wage and Salary Employment

By place of work

Alaska	preliminary revised		Changes from:			Municipality of Anchorage	preliminary revised		Changes from:		
	1/03	12/02	1/02	12/02	1/02		1/03	12/02	1/02	12/02	1/02
Total Nonfarm Wage & Salary	277,200	287,400	271,200	-10,200	6,000	Total Nonfarm Wage & Salary	137,400	144,200	133,500	-6,800	3,900
Goods Producing	30,400	30,300	30,900	100	-500	Goods Producing	10,900	11,600	11,000	-700	-100
Service Providing	246,800	257,000	240,300	-10,200	6,500	Service Providing	126,500	132,600	122,500	-6,100	4,000
Natural Resources & Mining	9,900	9,900	10,500	0	-600	Natural Resources & Mining	2,500	2,600	2,800	-100	-300
Logging	300	300	200	0	100	Mining	2,500	2,600	2,700	-100	-200
Mining	9,800	9,900	10,300	-100	-500	Oil & Gas Extraction	2,400	2,500	2,600	-100	-200
Oil & Gas Extraction	8,400	8,400	8,900	0	-500	Construction	6,500	7,000	6,500	-500	0
Construction	12,300	14,100	12,200	-1,800	100	Manufacturing	1,900	1,900	1,800	0	100
Manufacturing	8,200	6,300	8,200	1,900	0	Trade, Transportation, Utilities	32,000	33,300	31,600	-1,300	400
Wood Products Manufacturing	300	300	300	0	0	Wholesale Trade	4,600	4,600	4,500	0	100
Seafood Processing	4,600	2,600	4,600	2,000	0	Retail Trade	17,100	18,200	16,500	-1,100	600
Trade, Transportation, Utilities	57,100	59,700	56,700	-2,600	400	Food & Beverage Stores	2,200	2,300	2,300	-100	-100
Wholesale Trade	5,900	6,000	5,700	-100	200	General Merchandise Stores	4,200	4,600	4,300	-400	-100
Retail Trade	32,300	34,000	32,000	-1,700	300	Trans/Warehousing/Utilities	10,400	10,500	10,500	-100	-100
Food & Beverage Stores	5,400	5,600	5,400	-200	0	Air Transportation	3,100	3,200	3,400	-100	-300
General Merchandise Stores	9,100	9,700	9,300	-600	-200	Information	4,500	4,700	4,500	-200	0
Trans/Warehousing/Utilities	19,000	19,700	19,000	-700	0	Telecommunications	2,600	2,700	2,700	-100	-100
Air Transportation	5,700	5,500	6,100	200	-400	Financial Activities	7,900	8,300	8,100	-400	-200
Truck Transportation	2,500	2,500	2,500	0	0	Professional & Business Svcs	16,000	17,400	15,300	-1,400	700
Information	7,000	7,200	6,900	-200	100	Educational & Health Services	16,500	16,600	15,500	-100	1,000
Telecommunications	4,100	4,200	4,100	-100	0	Health Care/Social Assistance	15,200	15,200	14,200	0	1,000
Financial Activities	13,400	13,500	13,200	-100	200	Ambulatory Health Care	6,400	6,500	5,800	-100	600
Professional & Business Svcs	21,800	22,700	21,200	-900	600	Hospitals	4,700	4,700	4,500	0	200
Educational & Health Services	30,700	30,800	29,000	-100	1,700	Leisure & Hospitality	13,700	14,600	13,100	-900	600
Health Care/Social Assistance	28,600	28,700	26,800	-100	1,800	Accommodation	2,500	2,900	2,600	-400	-100
Ambulatory Health Care	12,300	12,400	11,300	-100	1,000	Food Svcs & Drinking Places	9,400	10,000	8,900	-600	500
Hospitals	7,300	7,500	7,300	-200	0	Other Services	6,000	6,300	5,500	-300	500
Leisure & Hospitality	24,800	27,200	24,000	-2,400	800	Government	29,900	31,300	28,900	-1,400	1,000
Accommodation	5,600	5,900	5,400	-300	200	Federal Government	9,700	10,000	9,400	-300	300
Food Svcs & Drinking Places	15,700	16,600	15,200	-900	500	State Government	9,700	9,900	9,200	-200	500
Other Services	11,900	12,400	11,600	-500	300	Local Government	10,600	11,400	10,300	-800	300
Government	80,300	83,600	77,700	-3,300	2,600	Tribal Government	300	300	200	0	100
Federal Government	16,300	17,400	15,900	-1,100	400						
State Government	23,700	24,000	22,500	-300	1,200						
Local Government	40,300	42,100	39,300	-1,800	1,000						
Tribal Government	3,400	3,600	3,200	-200	200						

Notes to Exhibits 2, 3, 4, & 6—Non-farm excludes self-employed workers, fishermen, domestics, and unpaid family workers as well as agricultural workers. Government category includes employees of public school systems and the University of Alaska.
Exhibits 2 & 3—Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.
Exhibits 4 & 6—Prepared in part with funding from the Employment Security Division.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

3 Hours and Earnings

For selected industries

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	preliminary 1/03	revised 12/02	revised 1/02	preliminary 1/03	revised 12/02	revised 1/02	preliminary 1/03	revised 12/02	revised 1/02
Mining	\$1,237.38	\$1,212.63	\$1,270.95	41.0	41.5	45.8	\$30.18	\$29.22	\$27.75
Construction	1,059.25	1,115.97	948.48	38.9	39.7	38.0	27.23	28.11	24.96
Manufacturing	321.71	459.04	508.40	22.8	30.2	32.8	14.11	15.20	15.50
Seafood Processing	211.37	351.89	310.80	18.3	29.3	29.6	11.55	12.01	10.50
Trade, Transportation, Utilities	512.74	526.51	506.68	32.7	33.6	32.5	15.68	15.67	15.59
Retail Trade	448.87	455.98	461.41	32.2	32.5	33.1	13.94	14.03	13.94
Financial Activities	646.40	714.42	721.14	35.4	37.9	34.0	18.26	18.85	21.21

Average hours and earnings estimates are based on data for full-time and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing). Averages are for gross earnings and hours paid, including overtime pay and hours.

Benchmark: March 2002

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

4 Nonfarm Wage and Salary Employment

By place of work

	preliminary		Changes from:		
	1/03	12/02	1/02	12/02	1/02
Fairbanks					
North Star Borough					
Total Nonfarm Wage & Salary	33,050	34,050	32,500	-1,000	550
Goods Producing	2,850	3,150	2,800	-300	50
Services Providing	30,200	30,850	29,650	-650	550
Natural Resources & Mining	750	800	750	-50	0
Mining	750	800	750	-50	0
Construction	1,600	1,850	1,550	-250	50
Manufacturing	500	500	500	0	0
Trade, Transportation, Utilities	6,650	6,800	6,950	-150	-300
Retail Trade	4,000	4,150	3,950	-150	50
General Merchandise Stores	1,050	1,150	1,150	-100	-100
Trans/Warehousing/Utilities	2,150	2,150	2,500	0	-350
Air Transportation	850	850	850	0	0
Information	600	550	600	50	0
Financial Activities	1,250	1,300	1,250	-50	0
Professional & Business Svcs	1,650	1,700	1,650	-50	0
Educational & Health Services	3,550	3,550	3,450	0	100
Health Care/Social Assistance	3,300	3,300	3,200	0	100
Leisure & Hospitality	3,350	3,400	3,250	-50	100
Accommodation	700	750	700	-50	0
Food Svcs & Drinking Places	2,300	2,300	2,200	0	100
Other Services	1,950	1,950	1,900	0	50
Government	11,250	11,650	10,600	-400	650
Federal Government	3,250	3,400	3,150	-150	100
State Government	4,950	5,000	4,450	-50	500
Local Government	3,050	3,250	3,000	-200	50
Tribal Government	0	0	0	0	0

Southeast Region

Total Nonfarm Wage & Salary	31,300	33,000	31,250	-1,700	50
Goods Producing	2,100	2,700	2,300	-600	-200
Services Providing	29,200	30,300	28,950	-1,100	250
Natural Resources & Mining	450	500	350	-50	100
Logging	150	200	50	-50	100
Mining	300	300	300	0	0
Construction	1,150	1,350	1,150	-200	0
Manufacturing	500	850	750	-350	-250
Wood Products Mfg.	150	150	150	0	0
Seafood Processing	300	500	350	-200	-50
Trade, Transportation, Utilities	5,700	6,300	5,650	-600	50
Retail Trade	3,750	3,950	3,800	-200	-50
Trans/Warehousing/Utilities	1,550	1,900	1,500	-350	50
Information	500	500	500	0	0
Financial Activities	1,150	1,200	1,150	-50	0
Professional & Business Svcs	1,250	1,350	1,200	-100	50
Educational & Health Services	3,450	3,500	3,300	-50	150
Health Care/Social Assistance	3,250	3,250	3,050	0	200
Leisure & Hospitality	2,650	2,800	2,850	-150	-200
Accommodation	950	900	900	50	50
Food Svcs & Drinking Places	1,300	1,400	1,300	-100	0
Other Services	1,150	1,150	1,100	0	50
Government	13,300	13,600	13,200	-300	100
Federal Government	1,700	1,950	1,650	-250	50
State Government	5,600	5,450	5,500	150	100
Local Government	6,000	6,200	6,100	-200	-100
Tribal Government	550	550	550	0	0

Interior Region	preliminary		Changes from:		
	1/03	12/02	1/02	12/02	1/02
Total Nonfarm Wage & Salary	37,150	39,350	36,550	-2,200	600
Goods Producing	3,100	3,400	3,000	-300	100
Services Providing	34,050	35,950	33,500	-1,900	550
Natural Resources & Mining	850	900	900	-50	-50
Mining	850	900	900	-50	-50
Construction	1,700	1,950	1,600	-250	100
Manufacturing	550	550	500	0	50
Trade, Transportation, Utilities	7,150	7,450	7,400	-300	-250
Information	750	750	800	0	-50
Financial Activities	1,350	1,350	1,300	0	50
Professional & Business Svcs	1,700	1,700	1,700	0	0
Educational & Health Services	3,700	3,700	3,600	0	100
Leisure & Hospitality	3,650	3,950	3,500	-300	150
Accommodation	850	900	800	-50	50
Food Svcs & Drinking Places	2,400	2,600	2,300	-200	100
Other Services	2,100	2,100	2,100	0	0
Government	13,650	14,900	13,050	-1,250	600
Federal Government	3,600	4,250	3,500	-650	100
State Government	5,150	5,400	4,650	-250	500
Local Government	4,900	5,300	4,850	-400	50
Tribal Government	200	200	250	0	-50

Anchorage/Mat-Su Region

Total Nonfarm Wage & Salary	151,600	158,850	146,500	-7,250	5,100
Goods Producing	12,250	13,000	12,350	-750	-100
Services Providing	139,350	145,850	134,150	-6,500	5,200
Natural Resources & Mining	2,600	2,700	2,800	-100	-200
Construction	7,600	8,200	7,550	-600	50
Manufacturing	2,050	2,100	2,000	-50	50
Trade, Transportation, Utilities	35,450	37,050	34,450	-1,600	1,000
Information	5,000	5,150	5,000	-150	0
Financial Activities	8,500	8,800	8,600	-300	-100
Professional & Business Svcs	16,550	18,100	15,950	-1,550	600
Educational & Health Services	18,450	18,600	17,300	-150	1,150
Leisure & Hospitality	15,200	16,250	14,350	-1,050	850
Other Services	6,500	6,750	6,000	-250	500
Government	33,750	35,100	32,500	-1,350	1,250
Federal Government	9,850	10,150	9,600	-300	250
State Government	10,600	10,800	10,050	-200	550
Local Government	13,350	14,150	12,850	-300	500
Tribal Government	350	350	250	0	100

Gulf Coast Region

Total Nonfarm Wage & Salary	24,800	25,200	24,400	-400	400
Goods Producing	4,550	4,300	4,600	250	-50
Services Providing	20,300	20,900	19,800	-600	500
Natural Resources & Mining	1,350	1,350	1,450	0	-100
Oil & Gas Extraction	1,250	1,250	1,350	0	-100
Construction	1,200	1,300	1,300	-100	-100
Manufacturing	2,000	1,600	1,800	400	200
Seafood Processing	1,350	950	1,150	400	200
Trade, Transportation, Utilities	4,800	5,050	4,700	-250	100
Retail Trade	3,000	3,150	2,950	-150	50
Trans/Warehousing/Utilities	1,600	1,650	1,550	-50	50
Information	400	450	400	-50	0
Financial Activities	850	850	800	0	50
Professional & Business Svcs	1,300	1,350	1,350	-50	-50
Educational & Health Services	1,850	1,900	1,800	-50	50
Health Care/Social Assistance	1,800	1,800	1,700	0	100
Leisure & Hospitality	2,400	2,600	2,300	-200	100
Accommodation	750	850	700	-100	50
Food Svcs & Drinking Places	1,400	1,500	1,350	-100	50
Other Services	1,400	1,400	1,400	0	0
Government	7,300	7,300	7,050	0	250
Federal Government	700	750	700	-50	0
State Government	1,600	1,600	1,550	0	50
Local Government	5,000	4,950	4,850	50	150
Tribal Government	300	350	300	-50	0

5 Unemployment Rates

By region and census area

Not Seasonally Adjusted*	preliminary	revised	01/02
	01/03	12/02	
Alaska Statewide	8.6	8.6	8.6
Anchorage/Mat-Su Region	6.6	6.6	6.4
Municipality of Anchorage	5.8	5.8	5.5
Mat-Su Borough	10.4	10.1	10.1
Gulf Coast Region	13.6	14.9	14.2
Kenai Peninsula Borough	14.5	14.7	14.5
Kodiak Island Borough	9.1	15.1	13.3
Valdez-Cordova	15.3	15.4	14.3
Interior Region	9.2	8.8	9.2
Denali Borough	15.8	15.5	14.4
Fairbanks North Star Borough	8.0	7.7	8.1
Southeast Fairbanks	16.8	16.4	15.7
Yukon-Koyukuk	20.0	18.4	18.7
Northern Region	13.4	13.9	12.2
Nome	13.3	13.8	12.1
North Slope Borough	10.2	10.9	9.3
Northwest Arctic Borough	18.0	18.2	16.3
Southeast Region	10.4	9.4	11.5
Haines Borough	17.5	16.2	18.1
Juneau Borough	6.6	6.4	7.0
Ketchikan Gateway Borough	12.0	10.4	13.0
Prince of Wales-Outer Ketchikan	19.1	14.5	21.4
Sitka Borough	7.6	7.8	8.3
Skagway-Hoonah-Angoon	15.6	13.5	18.9
Wrangell-Petersburg	15.4	13.9	17.5
Yakutat Borough	17.7	15.3	17.9
Southwest Region	13.7	14.9	12.9
Aleutians East Borough	6.0	6.7	6.6
Aleutians West	12.9	12.7	13.1
Bethel	13.7	15.0	11.9
Bristol Bay Borough	10.3	12.6	16.7
Dillingham	13.2	14.5	11.3
Lake & Peninsula Borough	15.8	16.5	16.5
Wade Hampton	21.2	23.6	20.3
Seasonally Adjusted			
United States	5.7	6.0	5.6
Alaska Statewide	6.9	8.4	6.9

* U.S. not seasonally adjusted figures for January are not available.

2002 Benchmark

Comparisons between different time periods are not as meaningful as other time series produced by Research and Analysis. The official definition of unemployment currently in place excludes anyone who has not made an active attempt to find work in the four-week period up to and including the week that includes the 12th of the reference month. Due to the scarcity of employment opportunities in rural Alaska, many individuals do not meet the official definition of unemployed because they have not conducted an active job search. They are considered not in the labor force.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

(continued from page 27)

Changes in the consumer price index for urban consumers are the most widely accepted measure of inflation, and are used to adjust wages, child support, and lease payments. Alaskans often consult the Anchorage CPI but many also rely on the national index. Social security payment adjustments are based on the U.S. measure.

Among the components used to establish the consumer price index, housing is the most important, representing 41.5 percent of a typical consumer's expenditures. In 2002, costs for housing rose by 3.2 percent. The costs of food and beverage showed a more moderate increase of 1 percent while costs for transportation and apparel dropped 1 percent and 3.4 percent respectively. These categories helped slow the overall rise of consumer costs in Anchorage.

6 Nonfarm Wage and Salary Employment

By place of work

Northern Region	preliminary	revised	Changes from:		
	1/03	12/02	1/02	12/02	1/02
Total Nonfarm Wage & Salary	15,850	15,900	15,750	-50	100
Goods Producing	5,400	5,300	5,500	100	-100
Services Providing	10,450	10,600	10,250	-150	200
Oil & Gas Extraction	4,400	4,350	4,600	50	-200
Government	5,100	5,200	4,800	-100	300
Federal Government	150	150	150	0	0
State Government	300	350	300	-50	0
Local Government	4,600	4,700	4,350	-100	250
Tribal Government	550	500	450	50	100

Southwest Region

Total Nonfarm Wage & Salary	16,900	15,400	16,600	1,500	300
Goods Producing	3,100	1,300	3,150	1,800	-50
Services Providing	13,750	14,100	13,450	-350	300
Seafood Processing	3,000	1,050	3,050	1,950	-50
Government	7,250	7,650	7,150	-400	100
Federal Government	300	350	300	-50	0
State Government	500	550	450	-50	50
Local Government	6,450	6,750	6,350	-300	100
Tribal Government	1,450	1,550	1,450	-100	0

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Employer Resources

Employers doing business in the State of Alaska are required by law to participate in the state unemployment insurance system. Employers must report specific information on the Alaska Quarterly Contribution Report for each employee who received wages during the quarter. The *Occupational Coding Manual* helps employers comply with occupational and geographic coding requirements. Go to www.labor.state.ak.us/esd/home.htm, click on "Employers", then on *Occupational Coding Manual* for more information.

The top screenshot displays the 'LABOR.STATE.AK.US' website for the 'Employment Security Division'. It features a navigation menu with 'Job Seekers', 'Workers', 'Employers', 'Researchers', and 'Department Shortcuts'. A red arrow points from the 'Employers' link to the 'Links for Employers' section on the right side of the page.

The middle screenshot shows the 'Links for Employers' page, which lists various resources such as the 'Alaska Employer Handbook', 'Alaska Job Center Network', and 'Occupational Coding Manual'. A red arrow points from the 'Occupational Coding Manual' link to the bottom screenshot.

The bottom screenshot shows the cover of the 'ALASKA Occupational Coding Manual', which is a 'Supplemental Guide For Completing the Alaska Quarterly Contribution Report'. It includes geographic codes and is published by the State of Alaska, Department of Labor and Workforce Development.

ALASKA ECONOMIC
TRENDS

Department of Labor and Workforce Development
Employment Security Division
P.O. Box 25509
Juneau, AK 99802-5509

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FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SSSB154
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Education
Title An Act relating to student loan repayment program BRU ACPE
for nurses, and amending the duties of the Board of Nurses that... Component Student Loan Program
Sponsor Senator Hollis French
Requester (S)L&C Component No. 213

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	11	11	12	12	12	12
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous	918.0	1,874.0	2,920.0	3,984.0	5,050.0	5,198.0
TOTAL OPERATING	929.0	1,885.0	2,932.0	3,996.0	5,062.0	5,210.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	918.0	1,874.0	2,920.0	3,984.0	5,050.0	5,198.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1106 P-Sec Rcpt	11	11	12	12	12	12
TOTAL	929.0	1,885.0	2,932.0	3,996.0	5,062.0	5,210.0

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		1	1	1	1	1
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation establishes the Alaska Nurse Recruitment Loan Repayment Program as an incentive tool to attract and retain nurses to work in the state. Eligibility criteria will be set by the Alaska Board of Nursing, and administrative criteria will be set by the Alaska Commission on Postsecondary Education. The Executive Director of the Commission is the designated program administrator. A program Fund is established within the General Fund. While Section 6 contemplates that the Legislature may make appropriation to the Fund from the Alaska Student Loan Corporation's annual dividend to the state, that appropriation is not mandated. Therefore, this fiscal note reflects the fund source as GF. Individual benefits may be paid to program participants of up to \$10,000 in exchange for five years of employment in the state as a nurse.

Prepared by: Sheila King, Finance Officer Phone 465-6757
Division Finance Date/Time 5/2/03 10:57 AM
Approved by: Diane Barrans, Executive Officer *Diane Barrans* Date 5/2/2003
Agency Alaska Commission on Postsecondary Education

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. SSSB154

ANALYSIS CONTINUATION

The chart below provides additional details relating to the cost estimates in this fiscal note. Staff has assumed an average individual education loan debt burden of \$16,000 based on average borrowing in this field from the Alaska state education loan programs. A combination of data from the April 2003 issue of *Alaska Economic Trends* (published by the Alaska Department of Labor and Workforce Development) and from a recent state health workforce report provided the basis for the expected numbers of participants in each of the first six years of program operations.

Growth/Cost Projection Estimates for Alaska Nurse Recruitment Loan Repayment Program
(Dollar Amounts Shown in Thousands)

Year	# of New Nurses	2004	2005	2006	2007	2008	2009
2003	459	\$ 918	\$ 918	\$ 918	\$ 918	\$ 918	
2004	478		\$ 956	\$ 956	\$ 956	\$ 956	\$ 956
2005	523			\$1,046	\$1,046	\$1,046	\$1,046
2006	532				\$1,064	\$1,046	\$1,046
2007	533					\$1,065	\$1,065
	2,525	\$ 918	\$1,874	\$2,920	\$3,984	\$5,050	\$5,198

SB

156

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 3/26/03

FURTHER: Health, Education and
 Social Services

Date of 5-Day Notice: _____
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: _____

Labor and Commerce Committee considered SENATE BILL NO. 156

SB 156 PREGNANCY ALCOHOL WARNING

"An Act relating to the posting and giving of certain warnings about drinking alcohol during pregnancy when selling or dispensing pregnancy testing kits, birth control devices, or birth control prescriptions."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Betty Davis</i>	✓			
<i>[Signature]</i>			✓	
<i>Joseph Victor</i>	✓			
<i>[Signature]</i>	✓			
CHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 156
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
 Title "An Act relating to the posting and giving certain BRU Criminal Division
warnings about drinking alcohol during pregnancy . . ." Component All
 Sponsor Senator Dyson
 Requester Senate Labor & Commerce Committee Component No. _____

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 requires persons selling or giving pregnancy related items to individuals, including pregnancy testing kits, birth control devices, and birth control prescriptions, to both post a warning and provide a written statement to the effect that drinking alcohol during pregnancy can cause permanent brain damage and birth defects for the unborn child. A person who knowingly violates these provisions by failing to post the warning, or instruct employees to give the written statement out, is guilty of a class B misdemeanor.

The Department of Law does not anticipate many new cases will arise from this new law, and does not anticipate a fiscal impact.

Prepared by: Joan M. Kasson Phone (907) 465-5370
 Division: Attorney General's Office Date/Time 4/11/03 3:32 PM
 Approved by: Kathryn Daughhetee for Gregg D. Renkes, Attorney General Date 4/11/2003
 Agency: Department of Law



SENATOR FRED DYSON

SB 156

Sponsor Statement

"An Act relating to Warnings about Drinking Alcohol While Pregnant"

Updated: April 7, 2003

Contact: Senator Fred Dyson's office at (907) 465-2199

Prenatal Alcohol Poisoning of unborn children (FAS/FAE) is the leading cause of permanent mental deficits today and Alaska has the highest rate in North America.

In an attempt to slow down this poisoning of Alaskan children, former Senate President Drue Pearce sponsored our present law requiring bars to post warnings about the dangers of drinking alcohol while pregnant.

SB-156 takes our efforts the next step by facilitating and requiring a notification to accompany products used by sexually active people including pregnancy testing kits, contraceptive devices, and birth control prescriptions.

We have talked with organizations representing drug manufactures and retailers and it appears that they will actively support this effort or at least not resist this initiative.

Much more must be done to stop the scourge of Fetal Alcohol Poisoning of our children but this small step will help by raising awareness of the existence and the severity of the problem related to drinking alcohol while pregnant.

Fetal Alcohol Syndrome

FAS is a set of mental and physical disorders that can include mental retardation, brain dysfunction, physical abnormalities, learning disabilities, and psychological disorders. FAS occurs as a result of prenatal exposure to alcohol.

Alcohol causes more damage to the developing fetus than any other substance, including marijuana, heroin, and cocaine. (Institute of Medicine, 1996)

The effects can be severe or mild, ranging from loss of IQ points, attention deficit disorder and learning disabilities to heart defects, cerebral palsy, brain dysfunction, and death. Many children experience serious behavior and social problems that last a lifetime.

More children are born with FAS than with Down Syndrome or Spina Bifida. (1991, Journal of American Medical Association)

Over 5,000 babies each year in the U.S. are born with FAS. Between 35,000 and 50,000 are born with related disorders. However, most cases go undiagnosed or misdiagnosed.

FAS in a Nutshell



- ◆ FAS is the leading known cause of mental retardation.
- ◆ Most individuals with FAS have normal intelligence.
- ◆ FAS causes serious social and behavior problems.
- ◆ Each year in the US 5,000 babies are born with FAS.
- ◆ Ten times as many are born with alcohol related disorders.
- ◆ No amount of alcohol is known to be safe during pregnancy.
- ◆ Alcohol causes more damage to baby than any other drug.
- ◆ FAS and related conditions are 100% preventable.

For more information on Fetal Alcohol Syndrome or to order this brochure, call (520) 296-9172 or visit:

www.fasstar.com

Fetal Alcohol Syndrome
Fasstar Information Series Brochure 0701CS1

Fetal Alcohol Syndrome



Characteristics and Symptoms

Fasstar Enterprises
Fetal Alcohol Syndrome: Support,
Training, Advocacy, & Resources

(520) 296-9172

www.fasstar.com

Characteristics and Symptoms of Fetal Alcohol Syndrome

By Teresa Kellerman



A diagnosis of Fetal Alcohol Syndrome (FAS) is based on certain criteria: facial features, small birth weight, central nervous system dysfunction, and history of prenatal exposure to alcohol. Babies who do not have all the physiological symptoms may be given a diagnosis of Fetal Alcohol Effects (FAE).

Facial Features

Babies with FAS have many (but not always all) of the following characteristics:

- Epicanthal folds
- Small, widely spaced eyes
- Flat midface
- Short, upturned nose
- Smooth, wide philtrum
- Thin upper lip
- Underdeveloped jaw

One or two of these facial features can occur in a healthy child as a matter of genetics, features that are inherited from a birth parent. Only when several of these features are present along with central nervous system symptoms together with prenatal alcohol exposure can FAS be considered for diagnosis.

Note: Facial characteristics may not be as apparent immediately after birth or during adolescence or adulthood as they are between the ages of two and ten.

Physiological Anomalies

Babies with FAS may have low birth weight, and may have trouble gaining weight. The head circumference may be smaller than normal. Some infants may have heart defects or suffer anomalies to the ears, eyes, liver, or joints.

Developmental Delays

Most children with FAS have developmental delays and some have lower than normal IQ. The degree of physiological characteristics usually correspond with the degree of developmental delays. Most children with FAS have IQs that are legally considered in the "normal" range.

Central Nervous System

Most infants with FAS are irritable, don't eat well, don't sleep well, are extra sensitive to sensory stimulation, and have a strong startle reflex. They may hyperextend their heads or limbs, and can exhibit hypertonia (too much muscle tone) or hypotonia (too little muscle tone) or both.

Invisible but Serious

The most serious characteristics of FAS are the invisible symptoms of neurological damage that results from prenatal exposure to alcohol. These symptoms can occur in FAS or FAE:

- Attention deficits
- Memory deficits
- Hyperactivity
- Difficulty with abstract concepts (math, time, money)
- Poor problem solving skills
- Difficulty learning from consequences
- Poor judgment
- Immature behavior
- Poor impulse control

Note: These symptoms are not "behavior problems" but are a result of permanent, unchanging damage to the brain (static encephalopathy) and are not always within the child's control.

Adults with FAS have difficulty maintaining successful independence. They have trouble staying in school, keeping jobs, or sustaining healthy relationships. Children and adults with FAS are also quite vulnerable to physical, sexual, and emotional abuse.

Without early intervention services, these individuals have a high risk of developing secondary conditions such as mental illness, trouble with the law, trouble with school, abusing alcohol and other drugs, and unwanted pregnancies.

SB

168

Alaska State Legislature

DURING SESSION
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SENATOR CON BUNDE

District P

VICE-CHAIR: SENATE FINANCE COMMITTEE
CHAIR: SENATE LABOR & COMMERCE COMMITTEE
MEMBER: LEGISLATIVE BUDGET & AUDIT COMMITTEE

Sponsor Statement for SB 168

"An Act relating to issuance and revocation of licenses for the importation, sale, distribution, or manufacture of cigarettes and tobacco products; relating to a tax refund or credit for unsaleable, returned, or destroyed tobacco products; relating to restrictions on shipping or transporting cigarettes; relating to records concerning the sale of cigarettes; amending and adding definitions relating to cigarette taxes; relating to the payment of cigarette taxes; relating to penalties applicable to cigarette taxes; relating to the definition of the wholesale price of tobacco products; relating to payment of cigarette taxes through the use of cigarette tax stamps; relating to provisions making certain cigarettes contraband and subject to seizure and forfeiture; relating to certain crimes, penalties, and interest concerning tobacco taxes and sales; and providing for an effective date."

This bill is designed to more adequately regulate the collection of taxes on cigarettes. There is an unknown quantity of untaxed cigarettes imported into the state of Alaska every year and existing laws make it difficult to track their numbers. All cigarette purchasers should be paying tax equally, whether purchasing over the counter or over the internet.

SB168 is being brought forward on behalf of those consumers who already pay legitimate taxes on their cigarettes. This is a **fair tax issue** in that the bill will enforce the payment of tax on all cigarettes that are brought into Alaska.

For this reason, this bill would require that a "tax stamp" be affixed on each package of cigarettes on which the tax has been paid. The stamp would be heat-applied so it could not easily be transferred to other untaxed packs and would be difficult to counterfeit. This colorful stamp would make it easy for law enforcement, the Dept. of Revenue and consumers to know if the tax has been paid on any pack of cigarettes and would give them the authority to seize and destroy the unstamped cigarettes. Violators of this law would be subject to civil penalties and criminal liability.

SB168 would require that the tax be paid before the cigarettes are imported into the state by wholesalers or be stamped by specific, licensed distributors in the state of Alaska before being available for sale.

Another aspect of this bill would be the requirement that anyone receiving a delivery of cigarettes must be licensed by the state of Alaska, which would severely limit the purchase of untaxed cigarettes by individual consumers over the internet. Upon delivery of the cigarettes, the carrier/delivery agent would require that the purchaser show his/her license from the state before the delivery could be made.

Forty-six other states currently require a tax stamp on cigarettes and this bill draws from the statutes and experience of those other states. These other states have shown significant tobacco tax revenue increases by use of the stamp. Hawaii has shown an amazing 25% increase in tax revenue; Michigan reported an increase of 8.7% in its first year of their tax stamp. These results are encouraging, but it still does not give us a reliable basis to predict the success of tobacco tax stamp usage here in Alaska. Cigarette tax revenue is currently about \$40 million a year, of which 76% goes into the School Fund and 24% goes toward the General Fund. But even a 1% increase in tax collected would amount to \$400,000 in new revenue.

It is also noteworthy that by adopting the tax stamp, it encourages Federal enforcement of Interstate Commerce Law regarding tax avoidance.

These stamps do not come free, of course, and distributors will indeed incur costs for the affixing of the stamps to individual packs of cigarettes and the cartons. The State of Alaska recognizes that cost and this bill does provide for a tax discount for distributors on a tiered basis to help them defer most of the cost involved.

SB168 will fairly tax all individuals who purchase cigarettes, increase tobacco tax revenues and allow for more uniform tracking of cigarette sales in the State of Alaska.

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A Division



MEYERCORD REVENUE

Providing Innovative Solutions For Protecting Revenue Worldwide

FUSON System

Meyercord Revenue offers industrial and government clients a wide range of high security solutions for protecting consumers and tax revenues from counterfeits. Since the 1920s, we have designed counterfeit applications including cigarette tax stamps, motor vehicle registration and inspection labels and product authentication seals.

Tax Stamp Equipment

Stamp Order Re



Our secure facility is centrally located in metropolitan Chicago where we provide superior products and services that will meet and exceed your expectations. Meyercord Revenue's impressive list of anti-counterfeit solutions provide solutions to all of your product authentication needs.

Secure Facility

Our competencies include specialized web printing producing high quality labels and applying unique coating chemistries. Meyercord Revenue's equipment include the use of proprietary security taggants and the resource equipment necessary to quickly apply these products accurately and efficiently.

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Meyercord Revenue's layered overt and covert security features are field proven. They continue to manufacture over 20 billion security indicia images a year. Our Fuson system is specified by over 100 municipalities and is responsible for maximizing the annual collection of tax revenue worth over \$8.4 billion dollars.

Mission Statement

Contact Us

ITW Link

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Machine](#)

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For more than half a century Meyercord has been designing and manufacturing tax and fee indicia

Whether requiring a fully automatic stamping system or semi-automatic line, Meyercord cigarette s
Accessory equipment includes in-line and off-line cigarette case cutters and case packers. An exper

Nationwide Field Service

Meyercord's specially trained technicians are dedicated to keeping the equipment in the finest work

(Return to Equipment Page)

'A' Type Manual Stamping Machine

Machine Features

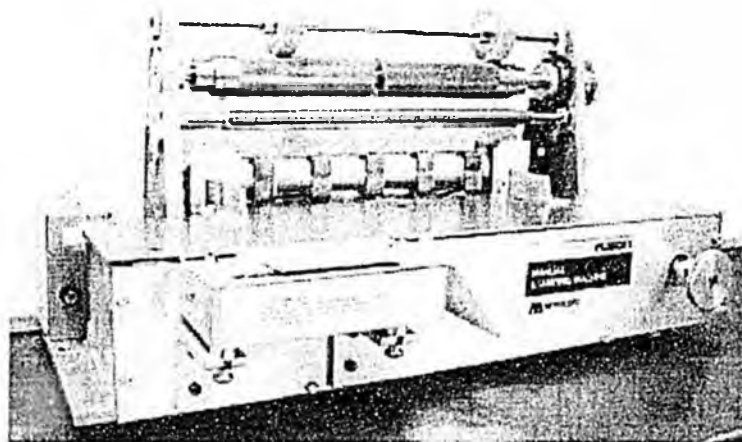
- Easy to operate - no special training or skills required.
- Stamps Regular, King, 100mm and 120mm cartons.
- Easily handles soft and box packs.
- The heater bar applies 10 Meyercord fusion stamps to a carton with one single motion.
- Front mounted glue pot for convenient resealing.
- Dependable, clean and quiet operation.
- Compact and portable. Can be operated on any sturdy table or work area.
- Reduces carton damages and labor costs; increases production.

Specifications

Dimensions: Length - 20"
Height - 11"
Width - 10"

Weight: 40 lbs.

Electrical Requirements:
120VAC; 20 AMPS



[\(Return to Equipment Page\)](#)

Automatic Tax Stamping Machine

Features

The automatic line provides maximum efficiency and production speed for the distributor whose d stamping large quantities of cigarettes hour after hour, day after day.

An operator places unopened cartons on a continuous belt that feeds the cigarettes automatically thr stamping operation, which includes carton opening, flap folding, stamp application, flap sealing and

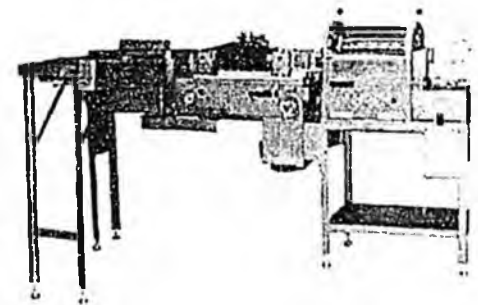
Stamped and sealed cartons are transferred automatically to a special table where a second opera emptied half cases.

Specifications

Dimensions: Length - 13'6"
Width - 3'11"

Electrical Requirements: 120VAC; 30 AMPS

Output: 80-100 Cartons Per Minute



[\(Return to Equipment Page\)](#)

Linear Stamp Machine

Machine Features

- No operator adjustments for carton size changes, regular to 120mm.
- Programmable Logic Controller (PLC) equipped with state-of-the-art heating control.
- LCD screen with readouts for monitoring of most operations.
- Fully Automatic carton sizing, flap opening, stamping, bluing and closing operations.
- Heavy duty construction with industrial grade components.
- Improved stamping operation using standard stamp rolls.
- Automatic height adjustments minimizes carton and pack damage.
- Linear iron movement maximizes stamp transfer quality and virtually eliminates chopping.
- Eliminates iron heat variations and pack damage due to high heat conditions.
- Easy access to machine assemblies and controls for fast repairs and troubleshooting.

Specifications

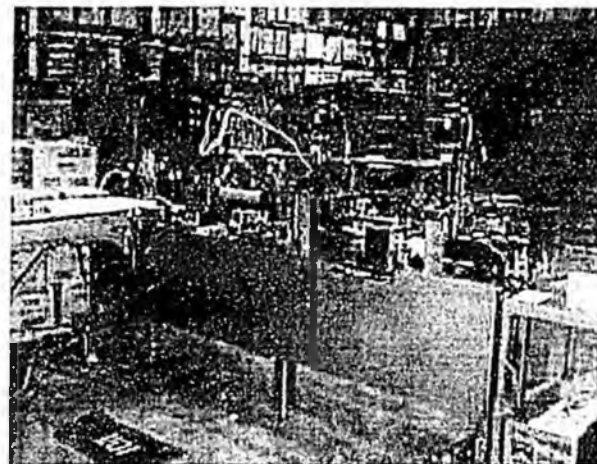
Dimensions: Length - 128"
Height - 65" (74" with covers raised)
Width - 68"

Weight: 1200 lbs.

Electrical Requirements: 120 volts; 30 amps

Air Requirements: 90 PSI at 1.7CFM

Cycle Speed: 40-48 CPM



STATE EXCISE TAX RATES ON CIGARETTES
(January 1, 2003)

STATE	TAX RATE (c per pack)	RANK	STATE	TAX RATE (c per pack)	RANK
Alabama (1)	16.5	45	Nebraska	64	22
Alaska	100	11	Nevada	35	31
Arizona	118	9	New Hampshire	52	25
Arkansas (2)	34	32	New Jersey	150	2
California	87	18	New Mexico	21	38
Colorado	20	39	New York (1)	150	2
Connecticut	111	10	North Carolina	5	49
Delaware	24	36	North Dakota	44	27
Florida	33.9	33	Ohio	55	24
Georgia	12	46	Oklahoma	23	37
Hawaii	120	8	Oregon	128	6
Idaho	28	35	Pennsylvania	100	11
Illinois (1)	98	16	Rhode Island	132	5
Indiana	55.5	23	South Carolina	7	48
Iowa	36	29	South Dakota	33	34
Kansas (3)	70	20	Tennessee (1) (2)	20	39
Kentucky (2)	3	50	Texas	41	28
Louisiana	36	29	Utah	69.5	21
Maine	100	11	Vermont	93	17
Maryland	100	11	Virginia (1)	2.5	51
Massachusetts	151	1	Washington	142.5	4
Michigan	125	7	West Virginia	17	43
Minnesota	48	26	Wisconsin	77	19
Mississippi	18	41	Wyoming	12	46
Missouri (1)	17	43	Dist. of Columbia	100	11
Montana	18	41			
			U. S. Median	48.0	

Source: Compiled by FTA from various sources

(1) Counties and cities may impose an additional tax on a pack of cigarettes in AL, 1c to 6c; IL, 10c to 15c; MO, 4c to 7c; NYC \$1.50; TN, 1c; and VA, 2c to 15c.

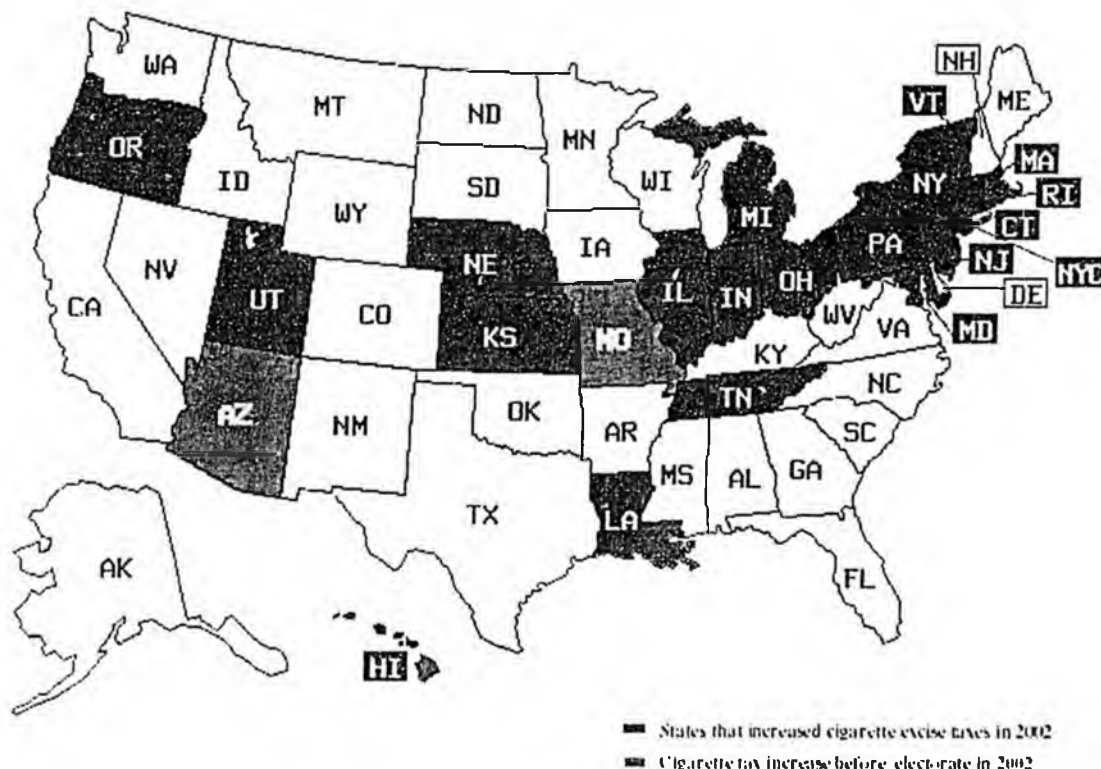
(2) Dealers pay an additional enforcement and administrative fee of 0.1c per pack in KY and 0.05c in TN. In AR, a \$1.25/1,000 cigarette fee is imposed.

(3) On 7/1/03, the tax rate is scheduled to increase to 79c in KS, and \$1.19 in VT.

Cigarette Tax Increases 2002 - 2003

[click here to see detail](#)

Cigarette Increases Enacted in 2002
(October 2002)



	Increase	New Rate/ Pack of	Effective Date
	Per Pack	20	
Arizona	\$0.58	\$1.18	11/25/2002
Arkansas	\$0.04	\$0.34	7/1/2001
Connecticut	\$0.61	\$1.11	4/3/2002
Connecticut	\$0.40	\$1.51	3/15/2003
District of Columbia	\$0.35	\$1.00	1/1/2003
Hawaii	\$0.20	\$1.20	10/1/2002
Hawaii	\$0.20	\$1.40	7/1/2004
Illinois	\$0.40	\$0.98	7/1/2002
Indiana	\$0.40	\$0.555	7/1/2002
Kansas	\$0.46	\$0.70	7/1/2002
Kansas	\$0.09	\$0.79	7/1/2003
Louisiana	\$0.04	\$0.24	8/1/2000
Louisiana	\$0.12	\$0.36	8/1/2002
Maine	\$0.26	\$1.00	6/1/2001
Maryland	\$0.34	\$1.00	7/1/2002
Massachusetts	\$0.75	\$1.51	7/25/2002
Michigan	\$0.50	\$1.25	8/1/2002
Nebraska	\$0.30	\$0.64	10/1/2002
New Jersey	\$0.70	\$1.50	7/1/2002
New Mexico	\$0.70	\$0.91	7/1/2003
New York City	\$1.42	\$1.50	7/2/2002
New York State	\$0.55	\$1.11	3/1/2000
New York State	\$0.39	\$1.50	4/3/2002
Ohio	\$0.31	\$0.55	7/1/2002
Oregon	\$0.60	\$1.28	11/1/2002
Pennsylvania	\$0.69	\$1.00	7/15/2002
Rhode Island	\$0.32	\$1.32	5/1/2002
South Dakota	\$0.20	\$0.53	3/18/2003
Tennessee	\$0.07	\$0.20	7/15/2002
Utah	\$0.18	\$0.695	5/6/2002
Vermont	\$0.49	\$0.93	7/1/2002
Vermont	\$0.26	\$1.19	7/1/2003
Washington	\$0.60	\$1.424	1/1/2002
West Virginia	\$0.38	\$0.55	5/1/2003
Wisconsin	\$0.18	\$0.77	10/1/2001
Wyoming	\$0.48	\$0.60	7/1/2003
U.S. Median*		\$0.48	1/1/2003

*Includes increase effective in 2002.
Source: Compiled by FTA from various sources.

The Toll of Tobacco in Alaska

Tobacco Use in Alaska

High school students who smoke	33.9% (15,000)
Male high school students who use smokeless or spit tobacco	20.9% (females use much lower)
Kids (under 18) who become new daily smokers each year	2,200
Kids exposed to secondhand smoke at home	47,000
Packs of cigarettes bought or smoked by kids each year	3.0 million
Adults in Alaska who smoke	25.0% (105,000)

National youth smoking rates have declined somewhat since 1997, but remain at historically high levels. According to the National Youth Tobacco Survey, 28.4% of all U.S. high school kids smoke and 11.6% of high school males use spit tobacco. Adult smoking rates have decreased gradually since the 1980s, and 23.3% of U.S. adults now smoke.

Deaths in Alaska From Smoking

Adults who die each year from their own smoking	440
Kids now under 18 and alive in Alaska who will ultimately die prematurely from smoking	19,500
Adults, children, & babies who die each year from others' smoking (secondhand smoke & pregnancy smoking)	80 to 150

Smoking kills more people than alcohol, AIDS, car crashes, illegal drugs, murders, and suicides combined -- and thousands more die from other tobacco-related causes -- such as fires caused by smoking (more than 1,000 deaths/year nationwide) and smokeless tobacco use. No good estimates are currently available, however, for the number of Alaska citizens who die from these other tobacco-related causes, or for the much larger numbers who suffer from tobacco-related health problems each year without actually dying.

Smoking-Caused Monetary Costs in Alaska

Annual health care costs in Alaska directly caused by smoking	\$132 million
- Portion covered by the state Medicaid program	\$60 million
Residents' state & federal tax burden from smoking-caused government expenditures	\$572 per household
Smoking-caused productivity losses in Alaska	\$129 million

Amounts do not include health costs caused by exposure to secondhand smoke, smoking-caused fires, spit tobacco use, or cigar and pipe smoking. Other non-health costs from tobacco use include residential and commercial property losses from smoking-caused fires (more than \$500 million per year nationwide); extra cleaning and maintenance costs made necessary by tobacco smoke and litter (about \$4+ billion nationwide for commercial establishments alone); and additional productivity losses from smoking-caused work absences, smoking breaks, and on-the-job performance declines and early termination of employment caused by smoking-caused disability or illness (dollar amount listed above is just from productive work lives shortened by smoking-caused death).

Tobacco Industry Influence in Alaska

Annual tobacco industry marketing expenditures nationwide	\$9.7 billion
Estimated portion spent for Alaska marketing each year	\$21.4 million

Published research studies have found that kids are three times more sensitive to tobacco advertising than adults and are more likely to be influenced to smoke by cigarette marketing than by peer pressure, and that one-third of underage experimentation with smoking is attributable to tobacco company advertising.

tobaccofreekids.org Copyright © 2002 National Center for Tobacco-Free Kids

Subject: [Fwd: Hawaii Info]

Date: Thu, 27 Feb 2003 08:08:06 -0900

From: Larry Persily <Larry_Persily@revenue.state.ak.us>

Organization: Department of Revenue

To: Karen L Mccarthy <karen_mccarthy@legis.state.ak.us>

Karen,

Our tobacco tax auditor gathered the following information from Hawaii, which instituted a tax stamp in 2001. We thought you and the senator would find it interesting.

Larry

Subject: Hawaii Info

Date: Thu, 27 Feb 2003 08:09:32 -0900

From: Johanna Bales <Johanna_Bales@revenue.state.ak.us>

Organization: State of Alaska - Department of Revenue

To: Larry Persily <Larry_Persily@revenue.state.ak.us>

CC: Larry Meyers <larry_meyers@revenue.state.ak.us>,
Toni R Thomas <toni_thomas@revenue.state.ak.us>

Larry,

Yesterday, I spoke with Earl Hoke, an Asst. AG in Hawaii who heads up their cigarette stamp enforcement unit. As you probably know, Hawaii increased its cigarette excise tax rate to \$1.00 per pack in 1998. The following year, they passed legislation for a stamp which took effect on 1/1/2001. Hawaii cigarette tax revenues for 1999 - 2002 (calendar years) were as follows:

1999	\$39,697,384	(no stamp - tax at \$.05 per cigarette)
2000	\$40,770,139	(no stamp - tax at \$.05 per cigarette)
2001	\$61,282,238	(stamp - tax @ \$.05 per cigarette)
2002	\$64,892,155	(stamp - in Oct, 2002 tax rate increased to \$.06 per cigarette)

Incredibly, Hawaii shows a whopping 50% increase in cig tax revenues between 2000 and 2001. Hawaii does, however, have a very aggressive enforcement program. The unit that Earl heads up is staffed with 11 people; 3 attorneys, 5 investigators, 1 secretary, 1 paralegal, and 1 auditor. As well as stamp enforcement, they also enforce the tobacco Master Settlement Agreement (MSA) and the sale of gray market cigarettes. They do not sell the stamps or do anything else with the excise tax program. Those functions are handled by Hawaii's Department of Revenue. Earl's unit is funded by the first \$350,000 of MSA payments and 1.5% of the 1.7% stamp fee that is charged their distributors. Unlike all other states, Hawaii actually charges their distributors 1.7% of the value of the stamps. All other states give a discount.

I thought you might find this interesting.

Johanna

Subject: FW: Lawsuit against internet tobacco sales
Date: Thu, 03 Apr 2003 09:57:22 -0900
From: Mark Hickey <mshickey@gci.net>
To: Jane Alberts <Jane_Alberts@Legis.state.ak.us>

FYI

Mark

-----Original Message-----

From: Eric Myers [mailto:ericm@alaska.net]
Sent: Wednesday, April 02, 2003 1:55 PM
To: Jenna App; Mark Hickey
Subject: FW: Lawsuit against internet tobacco sales

FYI. Just interesting... I think this validates the need to address the internet/mail order issue in the tax stamp bill. /Eric

Calif. sues Internet firms over cigarette sales

Last Updated: 2003-04-02 12:17:27 -0400 (Reuters Health)

LOS ANGELES (Reuters) - The state of California filed lawsuits against five Internet companies on Tuesday, accusing them of selling cigarettes to minors and failing to pay state excise taxes.

The state Attorney General's office said Dirt Cheap Cigarettes, Inc. of Missouri; smokin 4 less and LLP Enterprises/CigOutlet of Virginia; Cyco.net Inc. of New Mexico; and eSmokes of Florida were caught in sting operations in which investigators allowed minors to use their parents' credit cards to get cigarettes.

The civil lawsuits, filed in San Diego Superior Court, ask a judge to penalize the e-tailers a total of \$1 million and to prohibit them from selling cigarettes to customers younger than 18.

"They have to do more than just ask whether the buyer is over 18," Attorney General's office spokesman Tom Dresslar said. "There are all sorts of steps they could take to make sure minors aren't buying cigarettes."

The states of Washington and Oregon filed similar lawsuits on Tuesday, and were expected to be joined by a number of other states in the coming days, Dresslar said.

The lawsuit accuses the companies of purposely undermining the state's efforts to reduce smoking by minors by refusing to verify customers' ages or require a signature upon delivery.

About 2,000 minors begin smoking every day in California alone, and 80 percent of those early smokers develop regular habits, the lawsuit said.

One-third of smokers who pick up the habit as minors will die of a tobacco-related disease, according to the lawsuit.

The legal action also attempts to collect a portion of the estimated \$53.9 million allegedly owed California by out-of-state tobacco vendors who fail to pay excise tax on their sales to Californians.

Officials at Dirt Cheap Cigarettes, which calls itself "The Last Refuge of the Persecuted Smoker," could not be reached immediately for comment, but its Web site cautions buyers to "please be 18+ to shop with us, we care about the law."

On its Web site, eSmokes.com says it requires proof that buyers are at least 21 and possess a valid driver's license and credit card to purchase cigarette products. It also advises that buyers are responsible for complying with local laws regarding out-of-state cigarette purchases.

Officials at smokin 4 less, Cyco.net, Inc. and CigOutlet.com could not be reached for comment, but each of their

Web sites contain warnings that buyers should be over 18. CigOutlet's site advises buyers that they are responsible for "all taxes applicable to their State, City and/or County."

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CAMPAIGN For TOBACCO-FREE Kids[®]

INTERNET SALES OF TOBACCO PRODUCTS – REACHING KIDS & EVADING TAXES –

The ongoing increase in internet sales of tobacco products is a major challenge to public health efforts to reduce smoking and other tobacco use. By failing to do adequate age verification, the sharply growing number of websites selling tobacco products make it easier and cheaper for kids to buy cigarettes. They also offer smokers a way to avoid paying state tobacco and sales taxes, thereby keeping cigarette prices down and smoking levels up.¹

Internet Cigarette Sales Are Growing

There are currently about 200 U.S. websites and 200 foreign-based websites that sell cigarettes to U.S. smokers – up from approximately 40 domestic internet sellers of cigarettes in early 2000.² According to a recent report by Prudential Securities, Inc., internet vendors currently sell roughly two percent of all cigarettes consumed in the United States, or more than 400 million packs per year, and internet cigarette sales are likely to triple within the next three years.³ A study by Forrester Research, Inc. (a private consulting firm) projects that internet cigarette sales will grow even more rapidly and account for 14% of the total U.S. market by 2005, or roughly \$5 billion in sales.⁴

Tax Avoidance via Internet Sales

Internet cigarette prices are much lower than cigarette prices in regular bricks-and-mortar retail outlets because internet prices almost never include the cigarette excise taxes and sales taxes charged by the customers' home states. These low prices make internet cigarettes attractive to both adult and underage smokers, and help to boost overall smoking levels. In addition, the inability of states to collect the applicable state taxes that are legally owed on these cigarettes and other tobacco products sold over the internet is reducing state revenues by millions of dollars each year.

Internet sellers usually buy the cigarettes they sell in a low-tax state (e.g., VA, KY, or NC, which have state cigarette tax rates of only 2½, 3, and 5 cents per pack, respectively) or purchase them free from any state tax (e.g., by selling cigarettes obtained outside the United States free of any U.S. state or federal taxes, or obtained in the United States but still free of state tax because they are meant to be sold only to members of Indian tribes on Indian lands). The internet vendors then sell these cigarettes to smokers in higher-tax states, typically without collecting those states' taxes or making any reports of those sales to the states' tax collection officials (as required by the federal Jenkins Act).⁵ Offshore websites that sell U.S. brands manufactured overseas or manufactured in the U.S. and exported for foreign sale, can also into violate federal laws requiring payment of applicable federal and state taxes on imported cigarettes.

- According to a recent report by the U.S. General Accounting Office (GAO), information posted on more than three quarters of all internet-selling website explicitly indicate that they do not comply with the Federal Jenkins Act, and state efforts to prompt compliance by internet sellers have not been successful.⁶

- A study by Forrester Research Inc. estimates that because of internet cigarette sales the states lost as much as \$200 million in state tobacco tax revenues in 2001 and may lose as much as \$1.4 billion in 2005.⁷

Youth Access to Tobacco Products Sold on the Internet

Effective safeguards against kids being able to purchase cigarettes via the internet are almost non-existent. While many internet websites post notices that sales to persons under 18 are illegal or not allowed, very few do anything at all to make sure such sales do not happen.

- A study in the *American Journal of Public Health* reports that almost 20% of cigarette-selling websites do not even say anything about sales to minors being prohibited. More than half require only that the buyer say they are of legal age (e.g., by clicking on a "I am Over Age 18" button), another 15% require only that the buyer type in their date of birth, and only 7% require any driver's license information.⁸
- While some internet vendors claim that credit card use, by itself, is an adequate safeguard against underage purchases, many kids have access to credit cards and the credit card companies (which specifically market credit cards for kids) have firmly stated that credit cards are not appropriate for age verification. Moreover, more than two-thirds of websites selling tobacco products also accept money orders or checks.⁹
- Attorneys general from at least 15 states have conducted internet stings and found that children as young as 9 years of age were easily able to purchase tobacco products. A sting operation in New York found that 24 of 26 web sites sold to minors working with the New York City Department of Consumer Affairs.¹⁰
- In a recent study published in the *Tobacco Control* journal, kids sent in orders to internet cigarette vendors, providing a money order for the purchase but no proof of age, and only 14% of the orders were rejected because of the lack of proof of age.¹¹

While existing studies show that a relatively small percentage of kids have been purchasing cigarettes through the internet, increased youth purchases are likely given the lack of effective obstacles to youth purchases and the growing differences between low internet prices and regular retail prices for cigarettes. Increased youth internet purchases are also likely in those states and localities with effective enforcement efforts to stop illegal sales by bricks and mortar retailers. In addition, internet cigarette sales typically require a two-carton minimum purchase, which suggests that many high school and middle school buyers of internet cigarettes serve as suppliers of low-cost cigarettes to other kids.

The most recent data currently available is from surveys done in 2000, which indicate that approximately 1.4 percent of high school smokers purchased their last pack from the internet, as did one percent of middle school smokers, at that time.¹² These percentages refer only to the percentage of youth smokers that purchased their last pack from the internet, ignoring those who purchased their last pack elsewhere but have previously made internet cigarette purchases. Nevertheless, these percentages still amount to well over 50,000 children in the U.S. buying tobacco products on the internet two years ago. Another study done in the 1999-2000 school year found that 2.2 percent of kids under 18 in California who were current smokers (or more than 10,000 kids) reported trying to buy cigarettes over the internet.¹³

Since these two studies collected their data, roughly 25 million more U.S. households have gained internet access. In fact, U.S. Census data shows that from 1999 to 2001 (the last year for which data is currently available) the percentage of U.S. households with internet access has increased from 26.2% to 50.5%, with households with kids more likely to have internet access than households without kids.¹⁴ At the same time, the numbers of kids who have used the internet or made purchases on it has also grown substantially; and there has been substantial additional growth since 2001. Given the overall increases in internet access and internet purchases, especially among kids, it is likely that youth purchases of tobacco products on the internet have gone up, as well.

Other Problems with Internet Tobacco Sales

- Only a bit more than one quarter of all cigarette-selling websites display the U.S. Surgeon General's health warnings.¹⁵
- Besides failing to comply with the federal Jenkins Act and state laws requiring age verification prior to sale, internet sellers of tobacco products also typically fail to comply with state laws requiring all retail sellers of tobacco products to obtain licenses prior to making any sales in the states or with various other laws and regulations that regular bricks-and-mortar retailers in the states cannot avoid as readily.
- Because internet vendors of tobacco products are usually located out of state – or even out of the country – it is very difficult for state officials to enforce the state laws that apply to the internet sellers. In addition, many internet sellers of tobacco products are based on Indian Lands and run by Indian Tribes, which makes it difficult, if not impossible, for states to obtain jurisdiction over any such internet vendors that violate the law in either state or federal court.
- The many difficulties faced by states that wish to enforce their laws that apply to internet tobacco product sales is compounded by the federal government's failure, to date, to enforce the Jenkins Act against the many internet sellers that not only fail to comply but flaunt their noncompliance.¹⁶

National Center for Tobacco-Free Kids, November 13, 2002 | Eric Lindblom

For More Information

Campaign website's special report on internet tobacco sales: <http://tobaccofreekids.org/reports/internet>.

Campaign factsheet, *Tobacco Product Marketing on the internet*:
<http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=23>.

¹ See Connolly, G, "Smokes and cyberspace: a public health disaster in the making," *Tobacco Control* 10:299 (Winter), December, 2001, <http://tc.bmjournals.com/cgi/content/full/10/4/299>; Cohen, J, et al., "Tobacco commerce on the internet: a threat to comprehensive tobacco control," *Tobacco Control* 10: 364-367 (Winter), December, 2001, <http://tc.bmjournals.com/cgi/content/abstract/10/4/364>.

² Prudential Financial, *Buying Cigarettes Over the Internet*, Research Report, Consumer Staples/Tobacco, September 24, 2002; Bryant, JR, et al., "Online Sales: Profit Without Question," *Tobacco Control* 11: 226-27, September, 2002, <http://tc.bmjournals.com/cgi/content/abstract/11/3/226> [citing Noack D, "Utah recruits kids to buy smokes online. Proposed laws would plug loopholes," *Salt*

Lake City, February 2000]. See, also, Ribisl, KM, et al., "Web sites selling cigarettes: how many are there in the USA and what are their sales practices?," *Tobacco Control* 10: 352-359 (Winter), December, 2001, <http://tc.bmjournals.com/cgi/content/abstract/10/4/352>.

³ Prudential Financial, *Buying Cigarettes Over the Internet*, September 24, 2002.

⁴ Rubin, R. et al., *Online Tobacco Sales Grow, States Lose*, Forrester Research, Inc., April 27, 2001, <http://www.forrester.com/ER/Research/Brief/Excerpt/0.1317.12253.00.html>

⁵ The Jenkins Act, 15 USC 375 et seq., is available at <http://www4.law.cornell.edu/uscode/15/ch10A.html>.

⁶ U.S. General Accounting Office, *Internet Cigarette Sales: Giving ATF Investigative Authority May Improve Reporting and Enforcement*, GAO-02-743, August 9, 2002, <http://www.gao.gov/new.items/d02743.pdf>.

⁷ Rubin, R. et al., *Online Tobacco Sales Grow, States Lose*, Forrester Research, Inc., April 27, 2001.

⁸ Ribisl, K, et al., "Are the Sales Practices of Internet Cigarette Vendors Good Enough to Prevent Sales to Minors?," *American Journal of Public Health* 92(6): 940-41, June 2002, <http://www.ajph.org/content/vol92/issue6/index.shtml>.

⁹ Unger, JB, et al., "Are adolescents attempting to buy cigarettes on the internet?," *Tobacco Control* 10: 360-63 (Winter), December, 2001, <http://tc.bmjournals.com/cgi/content/abstract/10/4/360> [citing Kim AE, et al., "Sales practices of Internet cigarette vendors: Are they adequate to prevent minors from buying cigarettes online?," Roundtable presented at the Annual Meeting and Convention of the American Public Health Association, Boston, Massachusetts, November 2000].

¹⁰ Unger, JB, et al., "Are adolescents attempting to buy cigarettes on the internet?," *Tobacco Control* 10: 360-63 (Winter), December, 2001 [citing Sherer R, "States crack down on Web tobacco sales," *The Christian Science Monitor*, November 8, 2000 & ABC News, "Getting smokes online: Children buying cigarette with click of mouse," March 6, 2001, <http://www.abcnews.com>.

¹¹ Rubin, R. et al., *Online Tobacco Sales Grow, States Lose*, Forrester Research, Inc., April 27, 2001.

¹² U.S. Centers for Disease Control and Prevention (CDC), *Youth Tobacco Surveillance – United States, 2000*, CDC Surveillance Studies, *MMWR* 50(SS-4), November 2, 2001, Table 23, <http://www.cdc.gov/mmwr/PDF/ss/ss5004.pdf> [according to CDC, the seemingly related national YTS internet data in Table 22 of the 2000 YTS is completely inaccurate and unusable because of survey and formatting problems].

¹³ Unger, JB, et al., "Are adolescents attempting to buy cigarettes on the internet?," *Tobacco Control* 10: 360-63 (Winter), December, 2001, <http://tc.bmjournals.com/cgi/content/abstract/10/4/360>.

¹⁴ Economics and Statistics Administration & National Telecommunications and Information Administration, U.S. Department of Commerce, *A Nation Online: How Americans Are Expanding Their Use Of The Internet*, February 2002, <http://www.ntia.doc.gov/ntiahome/dn/index.html>.

¹⁵ Ribisl, KM, et al., "Web sites selling cigarettes: how many are there in the USA and what are their sales practices?," *Tobacco Control* 10: 352-359, December, 2001, <http://tc.bmjournals.com/cgi/content/abstract/10/4/352>.

¹⁶ U.S. General Accounting Office, *Internet Cigarette Sales: Giving ATF Investigative Authority May Improve Reporting and Enforcement*, GAO-02-743, August 9, 2002, <http://www.gao.gov/new.items/d02743.pdf>.



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Wednesday, Feb 26



Updated: 11.18.02

The ongoing increase in Internet sales of tobacco products is a major challenge to public health efforts to reduce smoking and other tobacco use. By failing to do adequate age verification, the sharply growing number of websites selling tobacco products make it easier and cheaper for kids to buy cigarettes. They also offer smokers a way to avoid paying state tobacco and sales taxes, thereby keeping cigarette prices down and smoking levels up.

The Problem

Up from only a handful in the late 1990's, more than 200 Web sites in the U.S. and many more based overseas sell tobacco products. Internet tobacco sales are growing rapidly and will account for 14 percent of the total U.S. market by 2005, according to a recent Prudential Securities report.

One in five cigarette-selling Web sites do not even say that sales to minors are prohibited, and more than half require only that the buyers say they are of legal age, according to an upcoming study in the American Journal of Public Health.

Three-quarters of all Internet tobacco sellers explicitly say that they will not report cigarette sales to tax collection officials, thus violating Federal law, according to the U.S. General Accounting Office.

States lose as much as \$200 million annually in uncollected tobacco taxes through Internet sales, according to a study by Forrester Research Inc., a private research firm.

Campaign Releases and Statements

Statement: Public Health Groups Support New Bill by Congressmen Meehan and Hansen to Curb Internet Cigarette Sales To Kids and Reduce Evasion of Cigarette Taxes (Nov 13 2002)

Release: Campaign Praises Visa For Taking Strong Action to Stop Illegal Internet Tobacco Sales to Kids, Urges Other Credit Card Companies to Follow Suit (Oct 29 2002)

Related Factsheets and Resources

[Internet Sales of Tobacco Products: Reaching Kids & Evading Taxes](#)

[Tobacco Product Marketing on the Internet](#)

[Additional Resources on Internet Tobacco Sales](#)

Legislation

H.R. 5724
The Tobacco Free Internet for Kids Act of 2002

private research firm.

Responses to the Problem

Federal: Congressman Martin Meehan (D-MA) and James Hansen (R-UT) have introduced legislation to crack down on both Internet tobacco sales to kids and tax evasion. This bill, H.R. 5724:

Model State Internet Legislation to Prevent Evasion of State Tobacco-Product Excise Taxes and Block Youth Access

Protects kids by requiring Internet retailers to verify the age of their customers using government issued identification checked against related databases. It also requires signature and age verification upon delivery.

Fights tax evasion by requiring Internet retailers to register with the states where they sell their products and comply with all related state laws regarding state tobacco tax collection and reporting. It gives state officials the right in federal courts to seek enforcement of Internet retailers compliance with both the tax collection and youth access provisions of the bill and to obtain unpaid state taxes.

State: While unable to address the problem as comprehensively as federal legislation, some states are taking action on their own to make Internet sellers of tobacco products act more responsibly. For example, there are laws addressing youth access in Rhode Island and California, a new law to collect taxes on Internet tobacco product sales in California, and new legislation to address both youth access and taxation problems on the Internet in New Jersey.

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Buy all your favorite brands at discount prices. Native American online smoke shop. Quality customer service for four years.
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Discount prices on tax free cigarettes shipped fresh from the NY Allegheny Indian reservation. Speedy shipping with no minimum order. Satisfaction guarantee.
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6. **Indian Smokes Online - Cigarettes Online**
Indian Smokes Online offers all major, generic, and value brand cigarettes at a tax free discounted price. So stop paying those high retail prices and start saving with Indian Smokes Online!
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7. **Cigarettes on Sale at KYCigarettes**
Marlboro, Winston, Camel, \$24.99 No thrills, just low prices. Cartons starting at \$9.50. Huge selection of over 70 different brands in stock. \$6 fixed shipping and handling on all orders.
www.kycigarettes.com (sponsored listing)
8. **Discount Cigarettes at Tobacco For Less**
Buy cigarettes at discount prices. Cigarettes starting at \$9.99 a carton.
tobaccoforless.com (sponsored listing)

9. **Nativeblend: Cigarette Sale**
Over 100 cigarette and tobacco brands at deep discounts. \$5.00 off your 1st order, 30-day guarantee on all orders, free sample cigarettes and more from an industry leader. Affiliate.
www.nativeblend.net ([sponsored listing](#))
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Order discount cigarettes using our secure and confidential site. No minimum order. No hidden shipping charges. 30-day money back guarantee. We ship within 24 hours and deliver worldwide.
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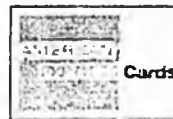
Welcome to the Big Indian Smoke Shop

Cigarette sales to persons under the age of 18 are illegal except in Alabama, Alaska, and Utah where the legal age to purchase cigarettes is 19.

If this is your first visit to Big Indian Smokeshop please read our [FAQ](#).

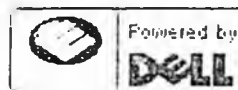
*** There is a five item minimum order on this site ***
Due to shipping constraints we need to raise the minimum item order for Alaska and Hawaii to 10 cartons.

We Accept



Surgeon General's Warning: Smoking Causes Lung Cancer, Emphysema, And May Complicate Pregnancy

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Big Indian FAQ

1. Where is Big Indian Smokeshop located?

A. We are located in Seneca Indian Territory.

2. Will I pay tax on products from this site?

A. All products are shipped tax free to your door.

3. Are we required to supply state government with sales and customer information?

A. We do not report sales or customer information to any state government.

4. What is your privacy policy?

A. All customer information is kept totally confidential.

5. How long should I expect to wait for shipment?

A. Most orders will ship the next business day.

6. Is there a minimum order?

A. There is a 5 item minimum order for cigarettes and/or tobacco products.

7. How fresh is your product?

A. All tobacco and cigarettes are ordered daily to insure freshness.

8. What shipping methods do you utilize?

A. All orders are shipped via UPS or USPS.

9. What are your shipping charges?

A. 1-19 cartons \$1.50 per carton, 20-99 cartons \$1.00 per carton, 100-299 cartons free shipping, premium cigars 1-5 boxes +\$3.00, 6 boxes and up free.

For USPS Priority Mail 5-19 cartons is \$2.50 per carton, 20-99 cartons is \$1.00 per carton and 100-299 cartons shipping is free.

10. I am a first time customer. Why do you ship only to the billing address on my credit card?

A. In order to combat credit card fraud, our company must ship orders to the billing address of first time customers.

Need further assistance call 1-800-898-9040 or email customerservice@bigindian.com

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Big Indian Smoke Shop is a family owned and operated business located on the Seneca Nation of Indians. The Big Indian has been in operation since 1996 and provides over fifty jobs for native and non-native employees alike. In addition to the Internet and mail-order operation the Big Indian also has one of the largest retail facilities on the Seneca Indian Territory. We pride ourselves on customer service and reliability. Big Indian Smoke Shop is a proud member of the Better Business Bureau. The Seneca Nation of Indians is a sovereign nation with its own tribal government to make its own laws and manage its own affairs and commerce. Seneca territory is free from state intervention and reporting requirements. That is to say that Seneca owned businesses do not file any reports with any state!

Opinion of Council

Commerce on Indian Territories in New York is beyond the reach of state taxing authorities when a transaction for the sale of goods takes place on such territories. That is to say, the sales tax of a particular jurisdiction, whether the state of New York or such other state to which a product may be shipped, may not be imposed when the payment for the product and the consummation of the transaction takes place on the territory. The basis for such opinion is the longstanding recognition of the sovereignty of Indian tribes and nations, which extends to those conducting business on Indian nations with the authority of the tribal government. Accordingly, shipments of tobacco products to locations outside of New York are legal transactions so long as the closing of the transaction (i.e. payment) takes place on the Indian Territory from which the product originates. For further legal information please contact us at 1-800-898-9040 and ask to have a complete brief mailed to your attention.



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Multifilter \$30.45	Newport \$22.75	Nov
Omni \$24.45	Pall Mall \$30.45	Par
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Satin \$30.45	Tareyton \$30.45	Trit
True \$30.45	Vantage \$30.45	Vir
Winston \$30.45		

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Generic Pall Mall \$19.45	GPC \$19.45	M
Malibu \$19.95	Misty \$19.45	M
Montclair \$20.20	Natural Blend \$20.20	O
Riviera \$17.30	Sonoma \$20.20	S
Viceroy \$17.45		

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Cowboys \$11.75	Double Diamond \$12.10	Eu
Exact \$11.85	GT One \$11.75	Le
Liagett Select \$14.75	Market \$11.85	Mi
Niagara \$11.00	Opal \$13.45	Pri
Pyramid \$16.35	Roger \$13.55	Se
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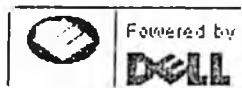
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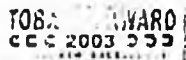


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- » [Specialty Products](#)
- » [New Account](#)
- » [Repeat Order](#)
- » [Update Account](#)
- » [Monthly Orders](#)
- » [Order History](#)
- » [Shipping Cost](#)
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- » [My Piggy Bank](#)
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Wide selection of cheap cigarettes online!

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Value Cigarettes
From: \$10.99
Great selection of discount cigarettes online!

[Browse Value](#)



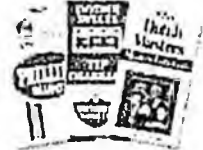
Foreign / Specialty Cigarettes
The widest selection and lowest prices!

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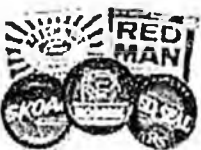
Premium Cigars
The world's finest cigars at incredible prices!

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Machine Made Cigars
Value and quality from the world's finest cigar makers!

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Smokeless Products
Best price, selection & freshness you can count on!

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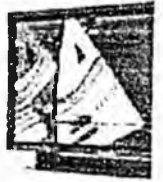
Specialty Products
Rolling Papers, Zippos, Tobacco and much more!

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YOU MUST BE 21 YEARS OF AGE OR OLDER TO PURCHASE TOBACCO PRODUCTS FROM eSmokes.com. All new accounts will be required to provide a valid government issued picture ID and signature when receiving their initial delivery.

SURGEON GENERAL'S WARNING: Cigarette Smoke Contains Carbon Monoxide.

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A brilliant picture screen 3 3/8" thick! The draw will be held on Sep 15th 2003. Enter your email at below.

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You must be at least 18 years old
to purchase cigarettes from our on-line
store.



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at least 18 years old...

YES
I am older than
18 years old

NO
I am not older
than 18 years old

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- Contact Us

Specials

- GT One - \$12.50
- Native - \$10.95
- Seneca - \$12.95
- Usa Gold - \$17.50

FAQ

Is online ordering safe?

Yes, very safe. Your confidential information is encrypted when sent to us via the internet. It is very difficult if not impossible to break the encryption code. Additionally, we do not store your credit card information on our database, you must submit it every time.

If I give you my name and address, do you pass that information on to someone else?

Never, the information you give us online is confidential. We do not sell or share our customer list with anyone. NWNP processes the orders and credit card payments and does not report any sales activity to any State taxing authority and they are not required to do so.

Isn't mailing cigarettes illegal?

If you are at least 18 years of age, and the cigarettes you are purchasing are for personal use only, it is perfectly legal to have cigarettes mailed to you.

Why are the cigarettes at cigarettesonly.com so cheap?

Cigarettesonly.com is shipping from the Seneca Indian Reservation in upstate New York. As a Seneca Indian owned business, there are no state taxes.

How will I know that you have received my order?

We will send you a confirmation E-mail to let you know that your order was received and is being processed.

How long will it take to receive my order?

All orders are shipped via UPS or US Priority Mail within 48 hours. Please allow 4-7 business days for delivery.

What are the minimum and maximum order quantities?

You can order a minimum of 1 carton at a time. The Maximum legal limit is 149 cartons per day.

Can I change my order at any time?

Orders are processed typically the same day they are placed. We can change an order only if it has not been shipped out yet.

What is your return policy?

We have a 30 day satisfaction guarantee. You can return any unopened items for any reason and we will exchange the product or give a refund for the cost of the product. Customer is responsible for shipping charges. CigarettesOnly is responsible for shipping charges if the return is a result of our error.

Where do I send my Check or Money Order?

** When sending a money order or a personal check, please include a copy of a valid ID**.

NWNP
PO Box 246
Brant, NY 14027-0246

*Make Checks payable to NWNP

** When sending a money order or a personal check, please include a copy of a valid ID**.

Where do I send my returns?

Cigarettesonly.com
C/O NWNP
1525 Cayuga Road

Irving, NY 14081

What are your shipping charges?

Our shipping rates to the U.S. including Hawaii and Alaska:

- 1-4 items \$6.00 Total
- 5 items or more FREE
- A charge of \$13.50 up to 4 cartons. \$1.50 per each additional carton for 3-day UPS shipping.
- A charge of \$16.00 up to 4 cartons. \$1.50 per each additional carton for 2-day UPS shipping.
- A charge of \$31.00 up to 4 cartons. \$1.50 per each additional carton for Next Day UPS shipping.

Do you ship outside of the United States?

No, Currently we do not ship internationally.

Can I get my cigarettes delivered anywhere?

We can only ship to your credit card's billing address. If there is a different address you would like us to ship to, please have it added to your card. Upon delivery we request a signature by an adult.

If I do not wish to use my credit card, or I do not have a credit card, can I still place an order with CigarettesOnly.com?

At this moment we only accept credit card (Master Card, Visa, American Express and Discover) since we can only ship to your credit cards billing address. If there is a different address you would like us to ship to, please have it added to your card.

What if I am having trouble placing an order?

Our shopping system is very simple, but if for any reason you have trouble placing orders please send us an email at orders@cigarettesonly.com and someone will contact you for further assistance.

What about State Taxes?

Online tobacco shops that are located on Native American lands are not required to charge state cigarette taxes or report sales to state tax departments.

Why do cigarettes cost so much?

The increase in cigarette prices in recent years is due mainly to two things: (1) high state cigarette taxes and (2) the multibillion dollar tobacco settlement against the major cigarette manufacturers.

How are the duty-free cigarettes different than premium cigarettes?

Duty-Free cigarettes are cigarettes manufactured in the US with the intention to be exported in international markets. For this reason the tobacco blend used might be different to meet the consumers' taste and the package might include other promotional offers different than the ones popular in the US such as Marlboro miles.

Tar and nicotine yields

Each year the Federal Trade Commission publishes a report about the tar, nicotine, and carbon monoxide yields of various brands. The report contains information about 1252 domestic brands. Of these the lowest in tar are Carlton, Cambridge, Merit, and Now. The highest in tar are all nonfilter versions of Basic, Camel, Chesterfield, Commander, Lucky Strike, Old Gold, Pyramid, and Tareyton.

To view the report you can go to <http://www.ftc.gov/bcp/menu-tobac.htm> . This report is in "pdf" form, so you need to be able to download pdf files to read it.

Are there any legal or privacy issues I should know about?

Yes, there are several issues to be aware of when purchasing tobacco products. Please read our [Legal](#) and [Privacy](#) policies.

UBored?

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New Stuff

- NEW** [Java Arcade](#) - Play java games online for free.
- NEW** [Online-Sweepstakes](#) - Collection of thousands of sweepstakes going on every day.
- NEW** [The Spark](#) - take tests such as the greed test, the wealth test, the purity test, and the famous person.
- NEW** [CandyStand](#) - One of the greatest Shockwave arcade sites on the net. With games such as billiards, snowboarding, solitaire, and trivia, this site will keep you busy for days.
- NEW** [MyFree Jokes, Jokes, Jokes Daily Mailing List](#) - Join My Free, and you'll get 3 new jokes sent strai everyday. Make sure to uncheck anything you don't want and check Jokes, Jokes, Jokes Daily
- NEW** [Stick Figure Death Theatre](#) - Watch stick figures fight to the death.
- NEW** [Xiao Xiao](#) - This site has all the Xiao Xiao movies made by Zhu, the greatest stick figure movie cr must see for all stick figure fighting fans.
- NEW** [Yatta Trivia](#) - Choose between General, Movie, Music, and Football Trivia
- NEW** [GoodQuotes.com](#) - proverbs, bumper stickers, silly quotes, Murphy's laws, gravest mistranslations, celebrity quotes, answering machine messages, famous last words an
- NEW** [CrazyThoughts.com](#) - A funny list of life's unanswered questions.
- NEW** [Oxymoronlist.com](#) - The largest list of oxymorons (contradictory words) ever coll
- NEW** [Maximum Exposure](#) - Watch real life videos of accidents: stupid stunts, motorcycle explosions, skateboarding, car crashes, animal bites, rescues, sky dives, police chase: extreme sports, fights, and more. Click on the Max X Hits button for their archive of
- NEW** [Shockwave.com](#) - This site has the greatest number of shockwave games on the net.
- NEW** [TeenOffers.com](#) - Free stuff for teens: video games, cd's, magazines, contests, bea posters, and more. Only lists free offers that don't have minimum age requirements.
- NEW** [iWon.com](#) - Win up to \$10,000 each weekday, or \$25 million on tax day, just for engine. Each search you do gives you a free entry into the prize drawing. To win, you resident and 13 years of age or older.
- NEW** [MonitorCamera.com](#) - Take your photo online for free. Because of a new breakthr technology, you can now take a picture of yourself using your computer monitor. No needed.
- NEW** [UKEvents](#) - has lots of free software and games to while away those boring hc
- NEW** [IsATard](#) - This site as well as it's sister sites, is devoted to getting a chuckle or do this is simply by poking some good natured fun at you and allowing you to do the This site is strictly meant as entertainment and not as any form of degradation to othe

Jokes

- [Cyber Parodies](#) - Listen to funny song parodies for free on the Internet
- [Funsci](#) - Index for Fun Science Gallery, the site for the amateur scientist
- [Embarrassing Moments](#) - Embarrassing funny true stories about dating, relationships functions, office work, college campus life, student life
- [Jokes](#) - The premiere FREE joke and humor related site on the internet. Search an en database
- [Free Jokes By E-Mail](#) - Subscribe for free to daily email magazines such as Laff A D

Abby (Advice), Daily Horoscopes, Pet Connection, Entertainment Today, Bizarre News (WWF, WCW & NWO), Film & TV Quotes, Time Capsules (Significant Event History), The Daily Recipe, & Quote of the Day

FunJokes.com - Fun , family conscious jokes sent to your mailbox each weekday.

FunnyMail.Com - Links to humorous web pages, insults, top 10 lists, jokes, juvenile funny stuff.

Send Free Virtual Insults

LaughNet - thousands of jokes, cartoons, song parodies, software pranks, funny photos and more.

Joke-Lists.com - Get the Best of the Best Joke Emails on the Net. These Joke Lists come every day so try them all and keep only the Funniest Funnies. Don't forget to order your Mousepad when you visit.

Jokes-Plus.com - Get your weekly Joke Email and More. Each week we send you a Download of the Week. FREE Trial or Demo software of the Week. Cool Site of the Week and of course 1 or 2 Jokes of the Week.

Strange Reports - Play practical jokes on your friends and family using our free online

Pollcaster - Vote on your favorite topics and see how other people voted: movies, music, dating, TV, sports, politics, etc.

Blibs - You can browse 1000's of stories that our users have created. Rate the ones you like and your results to your friends

News of the Weird - News of the Weird is the longest-running, most widely-read biz news feature in the United States. A weekly column based upon this site appears in many newspapers in the U.S. and Canada.

Daily Confessions - read confessions posted from naughty web surfers.

The \$95,093.35 check- On a whim, Patrick Combs deposited into his bank's ATM machine those "fake" checks you get in a junk mail letter, never expecting it to get cashed. But they did cash it. That was only the beginning of his fascinating true story. Hear his story from beginning to end.

MysteryNet- read and solve a new mystery on-line weekly.

The Darwin Awards- True stories of stupid things people do that got them killed.

The Stupid Page - Check out our true funny stories about stupid people, silly signs and product warnings.

RocketMan - The Legend of the Rocket Car - A long, fascinating, and possibly true story about guys who attach a jet engine to their car

Java Arcade Games - online versions of the arcade classics Breakout, Pacman, Asteroids, and more.

Yahoo Games - Play games online for free with other web surfers: Chess, Checkers, Backgammon, Bridge, Gin, Go Fish, Poker, Fantasy Football, Fantasy Baseball, Stock Market Challenge, and more.

Brain of Brian - Useless facts, funny philosophies, silly games, comical quotes, trivia questions, lists, madlibs, and more!

Puzzability - Follow the cup of coffee to find twisted crossword, word game, and picture puzzles. Be sure to check out the weekly and daily games.

Brain-Teasers - Find a list of 15 interactive puzzles here. More dependant on logic and math than on word dexterity.

Guess The Name - Guess The Name - Think of a TV show or Movie name, and our computer will try to guess it by asking you some simple questions

to guess it by asking you some simple questions

OliverBot - Chat with Oliver, the friendly chatterbot

Jigsawland - Jigsaw Land - Solve jigsaw puzzles online. Hundreds of jigsaws to cho

Play Mash - Remember the MASH (Mansion-Apartment-Shack-House) game you us you were a little kid, to predict what your life would be like when you grow up? Now online

Play RPS - Play the game of rock, paper, scissors online. This game is also know as

SnapBubbles - If you like popping real bubble wrap, try this online version

LemonideGame - Setup an online lemonade stand and see how much lemonade you c the weather forecast for each day, you decide how much to charge per cup and how m buy.

Cybercones - Create a virtual ice cream cone or hot fudge sundae for yourself, or em

PrizeWinner - Win free prizes by playing video games online. The better you play, th PrizeWinner.com Prize Bucks you earn towards prizes like CD's, videos, digital cam video games, DVD's, boomboxes, toys, vacations, and more.

PCGame - pc game games free cheat cheats demos links sites faq find search ask dow faq chat news video FPS action adventure flight racing tomb quake kingpin hunter h

The Densa Quiz - Take a very clever 12 question test to see how smart you are.

Tests, Tests, Tests - Dozens of online test that you can take for free: personality, IQ, career, stress, lifestyle, dating, and many others.

Daily trivia contests with cash prizes! - \$100 weekly cash prize for Trivia quizzes (U Take our quizzes, complete them, and get entered into our weekly drawing. The more more chances you get.

Test Your Brain Power! - Test your mental powers on crosswords, riddles, word puz and IQ quizzes for FREE PRIZES!

Travel Quiz - Travel Trivia @ Travel Notes. Ten travel-related questions to test how the world we live in. Get them all right to enter the Hall of Fame and qualify for the p be missed!

Fun-e-Cards - Free electronic greeting cards and animated musical fun pages for friend: Christmas, romance, and many special occasions

Teen Freebies - Free stuff for the younger generation: free magazines, free music, fre games, free catalogs, free contests, and much more. Check back often because this sit frequently with new offers.

TheFreeSite - Offers the Web's largest collection of free services and free products. I free games, counters, Webmaster freebies, affiliate programs, chat freebies, digital pc freebies, free fonts, graphics, guestbook

Catalog Request - Free mail order catalogs. Over 300 catalogs available: gifts, electr travel, clothing, entertainment, hobbies, automotive, and more.

Hundreds of Free Product Samples - you can get over the Internet: videos, calling ca food, perfumes, magazines, clothing, and more.

Free Electronic Greeting Cards - Over 1700 to choose from.

Send a free digital postcard

Postage4Free - If you hate paying .33 cents every time you want to mail a letter then

Digital Films - Make your own animated movie for free online. Choose a background animated actions, dialog, introduction, and ending credits. Put your name as the prod movie to your friends

ColoringSite - Color hundreds of fun pictures for free with our online coloring book

ColoringSite - Color hundreds of fun pictures for free with our online coloring books

Sweepstakes Online - Thousands of Sweepstakes and Contest Listings. Win Prizes. S promotion and development services

FREE Resort Stay! give away! every day! - We give away a resort stay every day for to three children who receive free lodging, pampering, and perks at their choice from the USA and CA.

The Cam Beat - A One-Stop Cam Directory featuring top WebCams around the world

Beach Cam - Live web cam from Venice Beach, California, updated every 10 minute

THE AMAZING FISH CAM! - Check out The Continuously Refreshing Fish Cam

BigCelebrities - BigCelebrities.com offers information on over 15,000 famous celebt actresses, musicians, supermodels, TV stars, movie stars, athletes, and comedians. W latest hollywood gossip and entertainment news

Ecrush - Offers many ways to improve your love life: find out online if someone you on you (with no risk of rejection), ask a question to The Advice Girl, find out which *NSYNC is your soulmate, browse the Web's largest collection of pick-up lines, or h horror dates.

I bet you will - A reality type game show that proves people will do anything for mor the IBYW crew bargains with innocent bystanders and talks them into outrageous ch eating an entire jar of Mayonnaise in 3 minutes or seeing who can hold out the longe: their pants.

Poll Caster - Create your own polls on subjects like movies, music, dating and more, them to your friends to take. Or, vote on hundreds of different polls already on the sit a new Pentium 4 computer just for voting.

Video Parodies - Watch funny music videos online

Hot Concerts - Watch full length concert videos of your favorite bands for free over David Gray, The Go-Go's, Lit, Everlast, Outkast, The Bangles, Duran Duran, Motley Huey Lewis & the News, Public Enemy, and more

Slang Site - Is a dictionary of slang, webspeak, made up words, and colloquialisms. I listings, or submit your own slang words to our site

Funology - the science of having fun! Funology.com is the premiere online destinatic want to have fun.

Phones Spell - What does your phone number spell?

Internet Anagram Server - Check out this fun Internet Anagram page. See how name: rearranged

The Onion - One of the most popular news satire sites on the net. Always good for a

NeoPets - The greatest Virtual Pet Site on the Internet. With your help, we intend to of virtual pet owners, and offer cool things such as games, auctions, shops, postcards more. Best of all, it's completely FREE!

Television Without Pity - Did you miss an episode of your favorite TV show? Find o each week on popular TV shows: Survivor, The Practice, X-Files, West Wing, Buffy Dawson's Creek, Ed, Felicity, and many more.

Amused - Exploring the Internet to bring you the Ultimate Guide to Wasting Time

A fun Zone - If you've got some time on your hands, A Fun Zone is sure to entertain! offers an absolutely enormous archive of fun stuff.

Kiss this Guy - The Archive of Misheard Lyrics is the Internet's largest database of n pop songs. Browse by song name or artist, or submit your own

Money Origami - illustrated instructions for making several origami designs out of d

Hot or Not? - Look at photos of men and women and rate them on a scale of one to 1 your own picture to be rated by others.

Do You Watch TV? - If you had your choice, vote on which character you would wan from popular TV shows: Seinfeld, Scooby Doo, The Brady Bunch, Buffy the Vampi Friends, Happy Days, Dawson's Creek, Ally McBeal, ER, and more.

Crazymages.com - A web site full of cool images to keep you amazed and entertain simulator, watch virtual fireworks, see the birth of a galaxy, play with fractals, and m

The Nutrition Calculator - Enter a food such as "Big Mac" or "Chocolate Chip Cook the exact nutrition content such as calories, fat, protein, carbohydrates, etc. The calc 20,000 foods, including products you buy at the supermarket and fast food chains: B Wendy's, McDonald's, Pizza Hut, Taco Bell and more.

Free Palm Readings and Free Handwriting Analysis

Emode - Self-testing psychology site. Includes tests on personality, IQ, relationships, health. Also provides a celebrity matchmaker

Facts on Farts and Scoop on Poop - Learn the answers to every question ever asked a subjects.

Jumptheshark.com - Find out when people think popular TV shows started to go bac Brady Bunch, The X-Files, ER, Seinfeld, Buffy, Ally McBeal, Beverly Hills 90210, and more

Birthday Database - Search over 135 million birth records for the Birthdate of somec the date, you can also register

Online Bubblewrap - If you like playing with real bubble wrap, try this online versio

Database of Song Lyrics - Find the words to over 120,000 songs.

Farts.Com - Fart of the day, fart mart, fart jokes and stories, sound files, and general

Webcrawler Search Voyeur - See the keywords that people type into the Webcrawler realtime as they are typed.

The Cave of Magic - This simple online card trick will amaze you.

Are You Owed Unclaimed Money? - You may be owed unclaimed money by the gov the FindCash database of over 11 million names for FREE to see if you name is on th can come from such sources as old bank accounts, wills, insurance, tax refunds, and j employers.

Movies - Hundreds of movie reviews, previews, trailers, and all the latest news.

E OnLine! - Celebrity Gossip, Interviews, and Entertainment News.

Virtual Flowers - Send a free virtual flower bouquet.

Top 10 Lists - Thousands of top 10 lists of web sites in every imaginable category.

What does your phone number spell?

Twisted Tunes- Listen to over 50 funny song parodies in realtime right over your computer (Windows 95), What If God Smoked Cannabis?, Hand In A Light Socket, and more. radio morning DJ Bob Rivers.

Metacrawler- Search all of the major search engines at once! Yahoo, Lycos, Infoseek, Excite, Alta Vista, and more.

The Death Clock- check out your death day and watch the seconds slip through your fingers

All Music - A music database listing over 470,000 albums, over 155,000 album reviews, 3,100,000 individual tracks, over 43,000 artist biographies, and more than 235,000 album covers

Love Calculator - Calculates the chance on a successful relationship between two people

Hamster Blast - a parody of hamsterdance.com.

Assassin - The dumber people think you are, the more surprised they'll be when you die. This page is all in good fun, we don't intend any harm towards anyone. The first page contains missions for pop-icons popular enough to warrant them. page two contains individual missions for celebrities. Enjoy!

STATE OF ALASKA

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL

Frank H. Murkowski, Governor

P.O. BOX 110300
123 4TH ST., DIMOND COURT HOUSE
JUNEAU, ALASKA 99811-0300
PHONE: (907)465-3600
FAX: (907)465-2539

February 21, 2003

The Honorable Con Bunde
State Capitol
Room 501
Juneau, AK 99801-1182

Re: Tobacco Stamp Legislation

Dear Senator Bunde:

You have asked whether legislation requiring that a tax stamp be affixed on all tobacco products packages sold in Alaska would help the state enforce its tobacco tax laws. I believe it would.

Alaska is one of the few states without a tax stamp law. States with such a law have found that it increases the amount of tobacco tax revenue collected by making it more difficult to bring untaxed cigarettes into the state. Michigan received an additional 8.7% in tobacco tax revenue the year following passage of a stamp bill. Hawaii enjoyed a 25% jump in tobacco tax revenues.

A tax stamp bill would send a message to Alaskans that purchasing untaxed cigarettes over the Internet is illegal. Many may be under the mistaken belief that the practice is legal. Tobacco stamp legislation would give them notice that it is not. This alone could lessen the burden of enforcing the tobacco tax provisions.

To be effective, a tax stamp bill would have to give the Department of Revenue and law enforcement officers authority to seize and destroy unstamped cigarettes and impose significant penalties and civil liability on violators.

Sincerely,



Gregg D. Renkes
Attorney General

STATE OF ALASKA

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL

Frank H. Murkowski, Governor

P.O. BOX 110300
123 4TH ST., DIMOND COURT HOUSE
JUNEAU, ALASKA 99811-0300
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Sincerely,



Gregg D. Renkes
Attorney General

23-LS0863\H
Ford
4/14/03

CS FOR SENATE BILL NO. 168()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): THE SENATE LABOR AND COMMERCE COMMITTEE

A BILL
FOR AN ACT ENTITLED

new

1 "An Act relating to issuance and revocation of licenses for the importation, sale,
2 distribution, or manufacture of cigarettes and tobacco products; relating to a tax refund
3 or credit for unsalable or destroyed tobacco products; relating to restrictions on and
4 penalties for shipping or transporting cigarettes; relating to records concerning the sale
5 of cigarettes; amending and adding definitions relating to cigarette taxes; relating to
6 penalties applicable to cigarette taxes; relating to the definition of the wholesale price of
7 tobacco products; relating to payment of cigarette taxes through the use of cigarette tax
8 stamps; relating to provisions making certain cigarettes contraband and subject to
9 seizure and forfeiture; relating to certain crimes, penalties, and interest concerning
10 tobacco taxes and stamps; and providing for an effective date."

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

12 * **Section 1.** AS 43.50.035 is amended to read:

1 **Sec. 43.50.035. Wholesaler-distributor license.** A person outside of this
2 state who sells cigarettes into this state and is not required to be licensed under
3 AS 43.50.010 may apply [QUALIFY] for a wholesaler-distributor license [BY
4 FURNISHING A GOOD AND SUFFICIENT SURETY BOND IN AN AMOUNT
5 EQUAL TO TWICE THE AVERAGE MONTHLY RETURN AND IN NO CASE
6 LESS THAN \$5,000, PAYABLE TO THE DEPARTMENT AND APPROVED BY
7 THE DEPARTMENT OF LAW. IF A WHOLESALER-DISTRIBUTOR FAILS TO
8 PAY THE CIGARETTE TAX WHEN DUE, THE BOND MAY BE FORFEITED
9 AND THE LICENSE REVOKED]. The department shall adopt reasonable
10 regulations necessary for the collection of cigarette taxes on cigarette sales made
11 by the [MAY ISSUE PERMITS IN PLACE OF BONDS TO RESIDENT HOLDERS
12 OF] wholesaler-distributor licensee into this state and standards for

13 **(1) application and issuance of the license; and**

14 **(2) refusal to issue the license** [LICENSES DOING BUSINESS
15 WHOLLY IN THE STATE WHO PAY THE TAX BEFORE SHIPMENT].

16 * **Sec. 2.** AS 43.50.040 is amended to read:

17 **Sec. 43.50.040. Expiration of licenses.** A license issued under AS 43.50.010
18 or 43.50.035 expires on June 30 [,] following the date of issue. If a license is revoked,
19 or the business for which the license is issued changes ownership or the licensee
20 changes the place of business from the premises covered by the license, the licensee
21 shall immediately return the license to the department. If the licensee moves the
22 business to another location in the state, the license shall, upon the payment of a fee of
23 50 cents, be reissued for the new location for the balance of the unexpired term.
24 Before a license issued under AS 43.50.010 or 43.50.035 expires, the [THE]
25 licensee may apply to [, ON APPLICATION TO THE DEPARTMENT
26 ACCOMPANIED BY THE RENEWAL FEE, MAY, BEFORE THE EXPIRATION
27 OF THE LICENSE,] renew the license for one year from the expiration date of the
28 license. The renewal fee required by AS 43.50.030 must accompany the
29 application. The department shall adopt reasonable regulations that it considers
30 necessary regarding the renewal of licenses.

31 * **Sec. 3.** AS 43.50.070 is amended to read:

1 **Sec. 43.50.070. Suspension or revocation of or refusal to renew a license**
2 **[REVOCAION OF LICENSES].** The department may suspend, [OR] revoke, or
3 refuse to renew a license issued under this chapter [AS 43.50.010 - 43.50.180] (1)
4 for a negligent violation of AS 11.76.100, 11.76.106, 11.76.107, or a violation of this
5 chapter [AS 43.50.010 - 43.50.180] or a regulation of the department adopted under
6 this chapter [AS 43.50.010 - 43.50.180]; (2) if a licensee ceases to act in the capacity
7 for which the license was issued; or (3) if a licensee [MANUFACTURER,
8 DISTRIBUTOR, OR WHOLESALE DISTRIBUTOR] negligently sells tobacco or
9 products containing tobacco to a person who is required to, but does not, hold a
10 license endorsement under AS 43.70.075 or [NONLICENSED RETAILER OR A
11 RETAILER] whose license endorsement under AS 43.70.075 has been suspended. A
12 person whose license is suspended or revoked may not sell cigarettes or tobacco
13 products, or permit cigarettes or tobacco products to be sold, during the period of
14 the suspension or revocation on the premises occupied or controlled by that person. A
15 disciplinary proceeding or action is not barred or abated by the expiration, transfer,
16 surrender, renewal, or extension of a license issued under this chapter [AS 43.50.010
17 - 43.50.180]. The department shall comply with the provisions of AS 44.62 ([THE]
18 Administrative Procedure Act), except that a hearing officer of the department,
19 rather than a hearing officer assigned under AS 44.62.350, may conduct hearings
20 [(AS 44.62)].

21 * **Sec. 4.** AS 43.50.070 is amended by adding a new subsection to read:

22 (b) In this section, "licensee" means a person licensed under AS 43.50.010 -
23 43.50.180 or 43.50.300 - 43.50.390.

24 * **Sec. 5.** AS 43.50.090(a) is amended to read:

25 (a) There is levied an excise tax of 38 mills on each cigarette imported or
26 acquired in the state. The tax shall be paid through the use of stamps as provided
27 in AS 43.50.500 - 43.50.695. The failure to pay the tax through the use of stamps
28 does not relieve a person of the obligation to pay taxes due under this chapter.
29 The person shall still pay the tax, and the tax is due on or before the end of the
30 month following the month in which cigarettes were manufactured, imported,
31 acquired, or sold in this state [EACH LICENSEE SHALL, AT THE TIME OF

1 FILING THE RETURN REQUIRED BY AS 43.50.080, PAY TO THE
2 DEPARTMENT THE EXCISE FOR THE CALENDAR MONTH COVERED BY
3 THE RETURN, DEDUCTING FOUR-TENTHS OF ONE PERCENT OF THE
4 TOTAL TAX DUE, WHICH THE LICENSEE SHALL RETAIN TO COVER THE
5 EXPENSE OF ACCOUNTING AND FILING RETURNS]. Cigarettes upon which
6 the excise is imposed are not again subject to the excise when acquired by another
7 person.

8 * **Sec. 6.** AS 43.50.100(d) is amended to read:

9 (d) A person or licensee who is in control or possession of cigarettes contrary
10 to this chapter [AS 43.50.010 - 43.50.180,] or who offers to sell or dispose of
11 cigarettes to others for the purpose of resale without being licensed to do so is
12 considered to have possession of the cigarettes as a consumer and is personally liable
13 for the cigarette taxes imposed by this chapter [TAX], plus a penalty of 100 percent
14 [PER CENT].

15 * **Sec. 7.** AS 43.50 is amended by adding a new section to read:

16 **Sec. 43.50.105. Restrictions on shipping or transporting cigarettes.** (a) A
17 person who is not licensed under this chapter may not ship or cause to be shipped
18 cigarettes to a person in this state unless the person receiving the cigarettes is

19 (1) licensed under this chapter;

20 (2) an operator of a customs bonded warehouse under 19 U.S.C. 1311
21 or 19 U.S.C. 1555; or

22 (3) an instrumentality of the federal government or an Indian tribal
23 organization authorized by law to possess cigarettes not taxed under this chapter.

24 (b) A person who is licensed under this chapter may not ship or cause to be
25 shipped cigarettes to a person in this state unless the person receiving the cigarettes

26 (1) is licensed under this chapter;

27 (2) holds a tobacco endorsement under AS 43.70.075;

28 (3) is an operator of a customs bonded warehouse under 19 U.S.C.
29 1311 or 19 U.S.C. 1555; or

30 (4) is an instrumentality of the federal government or an Indian tribal
31 organization authorized by law to possess cigarettes not taxed under this chapter.

1 (c) A common or contract carrier may not knowingly transport cigarettes to a
2 person in this state unless the person

3 (1) shipping the cigarettes is licensed under this chapter and provides
4 the common or contract carrier with a copy of the person's current license issued by
5 the department and the person receiving the cigarettes is a person described under
6 (b)(1) - (4) of this section; or

7 (2) receiving the cigarettes is a person described under (a)(2) or (3) of
8 this section or is licensed under this chapter and provides the common or contract
9 carrier with a copy of the person's current license issued by the department.

10 (d) If the cigarettes are transported by a common or contract carrier to a home
11 or residence, it is rebuttably presumed that the common or contract carrier knew that
12 the person receiving the cigarettes was not a person described under (b)(1) - (4) of this
13 section.

14 (e) A person, other than a common or contract carrier, may not knowingly
15 transport cigarettes to a person in this state, unless the person receiving the cigarettes
16 is a person described under (b)(1) - (4) of this section.

17 (f) A person who ships or causes to be shipped cigarettes to a person in this
18 state shall plainly and visibly mark the container or wrapping with the word
19 "cigarettes" if the cigarettes are shipped in a container or wrapping other than the
20 cigarette manufacturer's original container or wrapping.

21 (g) A person who violates the provisions of this section is guilty of a

22 (1) class A misdemeanor if the person unlawfully ships, causes to be
23 shipped, or transports at least one but fewer than 1,000 cigarettes;

24 (2) class C felony if the person unlawfully ships, causes to be shipped,
25 or transports 1,000 or more cigarettes.

26 (h) In addition to the criminal penalty under (g) of this section, the department
27 may assess a civil fine of not more than \$5,000 for each violation of this section.

28 * Sec. 8. AS 43.50.130(d) is amended to read:

29 (d) An invoice for the sale of cigarettes given or accepted by a licensee under
30 this chapter [AS 43.50.010 - 43.50.180] must state whether the taxes [TAX] imposed
31 by this chapter have [AS 43.50.010 - 43.50.180 HAS] been paid.

1 * **Sec. 9.** AS 43.50.170(7) is amended to read:

2 (7) "person" includes an individual, company, partnership, limited
3 liability partnership, joint venture, joint agreement, limited liability company,
4 association, mutual or otherwise, corporation, estate, trust, business trust, receiver,
5 trustee, syndicate, or political subdivision of this state, or combination acting as a unit;

6 * **Sec. 10.** AS 43.50.170 is amended by adding new paragraphs to read:

7 (11) "tobacco product" has the meaning given in AS 43.50.390;

8 (12) "wholesaler-distributor" means a person outside this state who
9 sells or distributes cigarettes into this state and who is not required to be licensed
10 under AS 43.50.010.

11 * **Sec. 11.** AS 43.50.190(b) is amended to read:

12 (b) The tax levied by this section is in addition to the tax levied by
13 AS 43.50.010 - 43.50.180. The tax shall be administered and collected in the same
14 manner as the tax levied by AS 43.50.010 - 43.50.180, except that receipts from the
15 tax shall be deposited in the general fund. The penalties provided in AS 43.05 and
16 this chapter apply to the tax levied in this section.

17 * **Sec. 12.** AS 43.50.320(f) is amended to read:

18 (f) The department may suspend, [OR] revoke, or refuse to renew a license
19 issued under this section as provided in AS 43.50.070 [IF THE LICENSEE
20 VIOLATES A PROVISION OF AS 43.50.300 - 43.50.390 OR A REGULATION
21 ADOPTED UNDER AS 43.50.370].

22 * **Sec. 13.** AS 43.50 is amended by adding a new section to read:

23 **Sec. 43.50.335. Tax credits and refunds.** The department shall adopt
24 procedures for a refund or credit to a licensee of the tax paid for tobacco products that
25 have become unfit for sale, are destroyed, or are returned to the manufacturer for
26 credit or replacement if the licensee provides proof acceptable to the department that
27 the tobacco products have not been and will not be consumed in this state.

28 * **Sec. 14.** AS 43.50.390(5) is repealed and reenacted to read:

29 (5) "wholesale price" means

30 (A) the established price for which a manufacturer sells a
31 tobacco product to a distributor after deduction of a discount or other reduction

1 received by the distributor for quantity or cash if the manufacturer's established
2 price is adequately supported by bona fide arm's length sales as determined by
3 the department; or

4 (B) the price, as determined by the department, for which
5 tobacco products of comparable retail price are sold to distributors in the
6 ordinary course of trade if the manufacturer's established price does not meet
7 the standards of (A) of this paragraph.

8 * **Sec. 15.** AS 43.50 is amended by adding new sections to read:

9 **Article 5. Cigarette Tax Stamps.**

10 **Sec. 43.50.500. Tax payment by use of stamps.** A licensee shall pay the tax
11 imposed under AS 43.50.090(a) and 43.50.190(a) through the use of stamps issued
12 under AS 43.50.500 - 43.50.700.

13 **Sec. 43.50.510. Stamp design; manner of affixing.** (a) The department shall
14 design and furnish stamps of sizes and denominations as determined by the
15 department.

16 (b) Notwithstanding the packaging requirements of AS 43.70.075(g)(1), a
17 stamp required under AS 43.50.500 - 43.50.700 must be affixed

18 (1) on the smallest package that will be handled, sold, used, consumed,
19 or distributed in this state; and

20 (2) in a denomination equal to the amount of tax due under this chapter
21 on the cigarettes in the package.

22 (c) A stamp required under AS 43.50.500 - 43.50.700 shall be affixed to the
23 bottom of each individual package of cigarettes in a manner so that the stamp cannot
24 be removed from the package without being mutilated or destroyed.

25 (d) For purposes of this section, a stamp is considered affixed only if more
26 than 80 percent of the stamp is attached to the individual package in accordance with
27 (c) of this section and regulations adopted by the department.

28 **Sec. 43.50.520. Stamp required before sale, distribution, or consumption.**

29 (a) Except as provided in AS 43.50.580, a licensee or the authorized agent or designee
30 of the licensee shall affix a stamp, in the manner required by AS 43.50.510, to each
31 package of cigarettes immediately upon the opening of the shipping container

1 containing the package and before sale, distribution, or consumption in this state.

2 (b) Except as provided in AS 43.50.580 and 43.50.610, a person may not
3 engage in the following activities in this state unless the package containing the
4 cigarettes is affixed with the required stamp:

5 (1) sell or distribute cigarettes to a person who is a consumer in this
6 state;

7 (2) acquire, hold, own, possess, or transport cigarettes for sale or
8 distribution in this state;

9 (3) import or cause to be imported cigarettes into this state for sale,
10 distribution, or consumption; or

11 (4) place or store cigarette packages in a vending machine in this state.

12 **Sec. 43.50.530. Sale of stamps.** (a) The department shall furnish stamps for
13 sale to licensees.

14 (b) The department may enter into agreements with financial institutions to
15 permit the sale of stamps by those institutions. The department shall make a list of
16 financial institutions authorized to sell stamps under this section available to the
17 public.

18 **Sec. 43.50.540. Purchase of and payment for stamps.** (a) A licensee shall
19 apply to the department or a financial institution authorized under AS 43.50.530(b) to
20 purchase stamps required by AS 43.50.500 - 43.50.700.

21 (b) A licensee may authorize an agent or designee to purchase stamps for the
22 licensee at a location where stamps are sold. The licensee's authorization of an agent
23 or designee must be in writing and must be signed by the licensee. The licensee shall
24 provide a copy of the authorization to the department. The authorization continues in
25 effect until the department receives the licensee's written notice of revocation of the
26 authorization.

27 (c) Except as otherwise provided in this subsection, each stamp shall be sold
28 to a licensee at its denominated value less the discount provided in this subsection.
29 The discount under this subsection is provided as compensation for affixing stamps to
30 packages as required by AS 43.50.500 - 43.50.700. The department may reduce or
31 eliminate the discount to a licensee under this subsection if the licensee fails to meet

1 the requirements of AS 43.50.500 - 43.50.700. The discount under this subsection is
2 equal to the sum of the amounts calculated using the following percentages of
3 denominated value of stamps purchased by a licensee under this section in a calendar
4 year:

5 (1) \$1,000,000 or less, three percent;

6 (2) the amount that is more than \$1,000,000 but not more than
7 \$2,000,000, two percent;

8 (3) the amount that is more than \$2,000,000 but not more than
9 \$5,000,000, 0.5 percent;

10 (4) the amount that is over \$5,000,000, zero percent.

11 (d) Payment for stamps shall be made at the time of purchase, except that the
12 department may permit a licensee to defer payments as provided in AS 43.50.550.

13 (e) The licensee or the licensee's agent or designee must obtain the stamps in
14 person from the department or a financial institution authorized to sell stamps under
15 AS 43.50.530(b). Alternatively, the licensee may request in writing that the stamps be
16 shipped or transported in a manner specified by the licensee that is acceptable to the
17 department. The department may accept only United States mail or common or
18 private carrier as a shipping or transportation method.

19 (f) Title to the stamps passes immediately to the licensee at the time the
20 stamps are obtained in person or, if the stamps are shipped or transported, at the time
21 the stamps are placed in the United States mail or received by the common or private
22 carrier. The licensee bears all costs associated with shipping or transporting the
23 stamps and all risks of possible loss or damage while in transit.

24 (g) Loss, destruction, or theft of stamps does not absolve the licensee of its
25 obligation to make payment for the stamps, including payment on a deferred-payment
26 basis under AS 43.50.550.

27 (h) For purposes of the discount provided in (c) of this section, "stamps
28 purchased by a licensee" includes stamps purchased by affiliated licensees.

29 **Sec. 43.50.550. Deferred-payment basis for stamps.** (a) A licensee may
30 apply to the department to purchase stamps on a deferred-payment basis. Upon
31 receipt of the application and the bond required under (b) of this section, the

1 department may set the maximum dollar amount of stamps that the licensee is
2 authorized to purchase on a deferred-payment basis in a calendar month.

3 (b) A licensee who submits an application for the purchase of stamps on a
4 deferred-payment basis shall post a bond acceptable to the department in an amount
5 equal to 200 percent of the maximum dollar amount of allowed monthly purchases
6 under this section as a condition of approval of the application.

7 (c) Amounts owing for stamps purchased on a deferred-payment basis in a
8 calendar month are due on or before the last day of the next calendar month. Payment
9 shall be made by a remittance acceptable to the department that is made payable to the
10 department.

11 (d) The department may designate the sales locations where the licensee may
12 make purchases of stamps on a deferred-payment basis and fix the dollar amount of
13 purchases that the licensee may make under this section at each designated sales
14 location each month.

15 **Sec. 43.50.560. Suspension of deferred-payment basis privilege.** The
16 department may suspend, without prior notice, a licensee's privilege to purchase
17 stamps on a deferred-payment basis or may reduce the monthly dollar amount of
18 purchases the licensee may make under AS 43.50.550 if

19 (1) the licensee fails to pay for stamps when payment is due;

20 (2) the licensee's bond is cancelled or becomes void, impaired, or
21 unenforceable;

22 (3) the department determines that the collection of an amount unpaid
23 or due from the licensee under this chapter is jeopardized; or

24 (4) the licensee violates a state statute or regulation related to the
25 collection of taxes under this chapter.

26 **Sec. 43.50.570. Interest.** A licensee who fails to pay an amount due for the
27 purchase of stamps within the time required

28 (1) is considered to have failed to pay the cigarette taxes due under this
29 chapter; and

30 (2) shall pay interest at the rate established under AS 43.05.225 from
31 the date on which the amount became due until the date of payment.

1 **Sec. 43.50.580. Possession of unstamped cigarettes.** (a) Except as provided
2 in (b) of this section and in AS 43.50.610, a person may not possess unstamped
3 cigarettes in this state.

4 (b) A licensee may possess unstamped cigarettes in this state if

5 (1) the licensee posts a surety bond in an amount satisfactory to the
6 department to ensure performance of its duties under this chapter; and

7 (2) unstamped cigarettes are necessary for the conduct of the licensee's
8 business in making sales or distributions to an instrumentality of the federal
9 government or an Indian tribal organization authorized by law to possess cigarettes not
10 taxed under this chapter.

11 (c) At the time of shipping or delivering cigarettes to an instrumentality of the
12 federal government or an Indian tribal organization authorized by law to possess
13 cigarettes not taxed under this chapter, a licensee shall make a duplicate invoice
14 showing complete details of the shipment or other distribution and a statement
15 indicating whether stamps were affixed to each cigarette package in accordance with
16 AS 43.50.500 - 43.50.700. The licensee shall transmit the duplicate invoice to the
17 department as an attachment to the monthly report required under AS 43.50.630.

18 (d) If a licensee who is authorized to possess unstamped cigarettes under (b)
19 of this section fails to comply with the requirements of this section, the licensee is no
20 longer authorized to and may not possess unstamped cigarettes under this section and
21 is subject to the imposition of any applicable penalty under this title or other law.

22 (e) For purposes of (a) of this section, "person" does not include entities to
23 whom sales or distributions are made as described in (b)(2) of this section.

24 **Sec. 43.50.590. Refunds or credits for unused stamps and for unsalable,**
25 **destroyed, or certain returned cigarette packages.** (a) The department shall adopt
26 procedures for a refund or credit to a licensee in the amount of the denominated value,
27 less the discount given under AS 43.50.540, for

28 (1) unused or damaged stamps; or

29 (2) stamps affixed to cigarette packages that have become unfit for use
30 or sale, are destroyed, or are returned to the manufacturer for credit or replacement if
31 the licensee provides proof acceptable to the department that the cigarettes have not