

SENATE LABOR & COMMERCE COMMITTEE FILES, 2003-2008 86/2

11933 SENATE LABOR & COMMERCE



REPRESENTATIVE KEVIN MEYER

HOUSE DISTRICT 30

SPONSOR STATEMENT

HB 394

"An Act relating to approval of insurance policy forms or associated materials in foreign languages and providing that the English version of policy forms or associated materials is the official version if certain conditions are met."

Currently there is no law stating how insurance policies and associated materials provided in foreign languages would be interpreted – in English or in the foreign language. Without a clear law, insurers are reluctant to provide information and conduct business in foreign tongues. With a clear foreign language law, insurers will be able to confidently provide foreign language speakers with information regarding essential insurance products. HB 394 provides that insurance policies and associated materials be construed in English version so long as an English version was provided with the foreign language materials and proper disclosure is made.

This law benefits both consumers and the insurance business. According to the last census, more than 80,000 Alaskans speak a language other than English at home. Our increasingly diverse population needs proper information to secure their personal and business insurance needs. HB 394 will allow foreign language speaking consumers to secure information so they can better understand and thus can make better insurance decisions. For the insurance industry, HB 394 is likely to lead to increased penetration in emerging markets.

HB 394 is supported by the Division of Insurance and the Alaska State Chamber of Commerce.

Email: Repr
Session: State Capit
Interim: 716 W. 4th Av

Sponsor Statement

ce: (866) 465-4945
1945 Fax: (907) 465-3476
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REPRESENTATIVE KEVIN MEYER

HOUSE DISTRICT 30

MEMORANDUM

DATE: February 15, 2006
TO: Representative Kevin Meyer
FROM: Mike Pawlowski
RE: Sectional Analysis for HB 394
(Version No. 24 - LS1506A)

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

Section 1. Adds a new section to AS 21:42 allowing an insurer to file and the director to approve an insurance policy in a language other than English with certain conditions and specifies penalties for knowingly misrepresenting information in a translation.

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 394(L&C)
 (H) Publish Date: 2/24/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title: Insurance Policies in Foreign Languages RDU: Insurance (116)
 Component: Insurance Operations
 Sponsor: Meyer
 Requester: Labor & Commerce Component No.: 354

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

Estimate of any current year (FY2006) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation allows insurance policies to be filed, approved and delivered in languages other than English if an official English language version is also provided. It does not impact the operations of the division.

Prepared by: Linda S. Hall, Director Phone 907.269.7900
 Division: Insurance Date/Time 2/21/06 5:58 PM
 Approved by: William C. Noll, Commissioner Date 2/21/2006
 Agency: Commerce, Community, and Economic Development

HB

409

SENATE COMMITTEE REPORT

DATE: 4/7/06

FURTHER: Finance

DATE TURNED
IN TO OFFICE: _____

Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 409(L&C)

HB 409 NO WORKERS' COMP. FOR REAL EST. LICENSEE

"An Act relating to excluding qualified real estate licensees from workers' compensation coverage."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
SCS House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

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

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number 2
Bill Version CSHB 409(L&C)
(H) Publish Date 3/1/06

Revision Date/Time (Note if correction) _____ Department Labor and Workforce Development
Title No Workers' Compensation For Real Estate RDU Workers' Compensation
Licensee Component Workers' Compensation
Sponsor Representative Lynn
Requester House L&C Component Number 344

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

Estimate of any current year (FY2006) cost: None

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS (Attach a separate page if necessary)

There is no anticipated fiscal impact to the department as a result of this legislation

Prepared by Paul F. Lisankie, Director Phone 465-6059
Division Workers' Compensation Date/Time 2/23/06 12:01 PM
Approved by Greg O'Clary, Commissioner Date 2/23/2006
Agency Department of Labor and Workforce Development

Nancy Manly

From: Mark Korting [markkorting@remax.net]
Sent: Monday, February 06, 2006 5:51 PM
To: Rep. Bob Lynn
Subject: Thank you Bob
Follow Up Flag: Follow up
Flag Status: Yellow

Representative Lynn, (Bob)

I am sending you a copy of an email I will be sending to all the Representatives on the Labor & Commerce Committee. I have only sent this to you and Rep. Tom Anderson so far. Any comments?

Dear Representative

A bill sponsored by Rep. Bob Lynn will be headed toward your Labor & Commerce Committee soon. The Bill is HB 409. I support this bill and would encourage you to do the same. I've been fighting this issue for years and there was a time, not all that long ago, when real estate licensees were exempted from Workers Compensation Insurance as we were considered "independent contractors" by insurers as well as the Board. We would like the option to be able to have, or not have, coverage for our independent contractors. They could also purchase coverage for themselves if they chose to do so.

We, real estate licensees, have been, and still are, considered by the Internal Revenue Service to be acting as independent contractors. Our licensees here at RE/MAX Properties, Inc. execute a very complete and thorough 11 page Independent Contractor Agreement and pay for all their services. I have owned and operated this business since 1980. I also have the franchise for RE/MAX offices throughout the State.

I would be glad to answer any questions you may have and may be able to testify in person a little later in the session.

Also, I would like to take a moment to "Thank you for serving". I appreciate all your sacrifice to try to make Alaska a better place to live.

Thank you Tom, for your attention to this matter. I don't ask for much and try to ask for things that seem reasonable. There are a lot of complicated issues here in the Workers Comp Statutes.

markkorting@remax.net 907.276.2761

broker-owner: RE/MAX properties, inc
regional owner: RE/MAX of alaska, inc
110 W. 38th Ave. Anchorage, AK 99503

STATE OF ALASKA

Department Of Labor and Workforce Development

FRANK H. MURKOWSKI GOVERNOR

P. O. Box 21149
Juneau, AK 99802-1149
Phone: (907)465-2700
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OFFICE OF THE COMMISSIONER

February 7, 2006

The Honorable Thomas Anderson, Chair
House Labor and Commerce Committee
State Capitol, Room
Juneau, Alaska 99801-1182

Dear Chairman Anderson:

My staff and I have reviewed the provisions of HB 409 currently before your committee. As you know HB 409 would amend AS 23.30.230 to specifically exempt certain real estate professionals from workers' compensation coverage. The exemption is limited to professionals licensed (under the provisions of AS 08.88.161) as real estate brokers, associate real estate brokers, or real estate salespersons. In order for the exemption to apply, those licensed professionals will have to be working under a written employment contract that provides they will not be treated as "employees" for either workers' compensation or federal income taxation purposes. As well, their pay will have to be directly related to sales or output rather than hours worked.

As workers' compensation benefits are a vital part of our social safety net, I usually speak against new exemptions from the Workers' Compensation Act. However, it is only fair to acknowledge that much of the real estate sales industry has consistently chosen to organize in ways that already allow licensed professionals to work without workers' compensation coverage. Those organizations include sole proprietorships, partnerships, limited liability companies, corporations whose officers waive workers' compensation coverage, and properly established "independent contractor" relationships. Unfortunately, a definitive determination whether an independent contractor relationship has been properly established can only be obtained on a case-by-case basis from the Workers' Compensation Board after an injury. That leads to uncertainty, frequent disagreements about the employer's insurance coverage and premiums, and considerable frustration throughout the real estate sales industry.

There is no easy way to remove that general uncertainty because it arises from the need to apply a fact-specific, twelve-point "relative nature of

the work" test developed by the Alaska Supreme Court to define the "independent contractor" relationship. In light of that fact, I support the focused exemption for licensed real estate professionals contained in HB 409 in order to relieve the current unacceptably uncertain situation.

Thank you for the opportunity to address this legislation.

Sincerely,



Greg O'Claray
Commissioner



DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT
Division of Insurance

Frank H. Murkowski, Governor
William C. Noll, Commissioner
Linda S. Hall, Director

To: Representative Bob Lynn
Representative Norman Rokeberg
Representative Ethan Berkowitz

Date: April 6, 2006

Re: HB 409

From: Linda Hall 

On the House floor yesterday during discussion of the above bill, a question was asked regarding the claims history for the realtors classification. I have asked for information from the National Council on Compensation Insurance and received the following information:

There is no specific realtor code in Alaska. The primary codes used are 8742 (outside sales) for sales agents and 8810 (clerical) for support staff. These classifications are very broad groupings encompassing all outside sales reps and support staff across the state and there is no way to segregate real estate from others in these groupings.

Code	Frequency (Claims/\$1 Million Payroll)	Average Severity
8742 (Sales)		
2002-2003	.365	\$ 9,140
2001-2002	.515	\$12,731
2000-2001	.466	\$10,978
1999-2000	.731	\$ 7,983
8810 (Clerical)		
2002-2003	.518	\$ 9,832
2001-2002	.535	\$11,339
2000-2001	.663	\$10,811
1999-2000	.650	\$ 8,675
State Totals (All Classes)		
2002-2003	1.966	\$15,349
2001-2002	2.160	\$14,349
2000-2001	2.513	\$12,474
1999-2000	2.644	\$10,085

Since the groupings for these two classifications are so broad, it is difficult, if not impossible, to make any meaningful analysis of the frequency or severity of claims within the real estate industry. The information does give some overall idea of the nature of the exposure for the overall risk faced by the broad group.

For example, the number of claims (frequency) has decreased while the average cost of a claim (severity) has increased. These trends exist in both the sales class and the clerical class as well as for the state as a whole. While the number of claims for the sales class is generally less than the number of clerical claims, the average cost of a claim is comparable for both classes. Compared to the state totals, the frequency is significantly less for the sales and clerical classes but the severity is only somewhat lower.

As an additional piece of information, the current rates per \$100 of payroll for these classifications taken from the assigned risk pool are \$1.21 for the outside sales classification and \$1.26 for the clerical classification.

Please do not hesitate to contact me should you have questions or if you would like to discuss this information in more depth.

Alaska State Legislature

Chairman
Military & Veterans' Affairs Committee

Member
Labor and Commerce Committee
State Affairs Committee
Economic Development Trade & Tourism
Committee
Education Committee
Joint Armed Services Committee

Finance Subcommittees
Labor & Workforce Development
Community & Economic Development
Military & Veterans' Affairs



A Communication From

REPRESENTATIVE BOB LYNN **District 31 Anchorage**

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"Bob Lynn's Alaska Blog" AlaskaDistrict31.blogspot.com

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Sponsor Statement **CS for HB 409**

Exempt Qualified Real Estate Licensees from Worker's Compensation Coverage

HB 409 would amend AS 23.30.230 to specifically exempt certain real estate professionals from workers' compensation coverage.

Most real estate licensees in Alaska are independent contractors. They are licensed under a broker because that is state law, but they operate their individual business as "independent contractors."

In the real world, this means that these licensees do not receive a wage, salary or benefits. They control and decide what days and hours they will work in order to achieve the goals they set for themselves. Business expenses paid by the licensee include: licensing fees, continuing education, advertising, long-distance phone calls, and business insurance on their vehicles. They often pay for their own computer, printer, and other office equipment, and create and pay for their own individual websites. Independent Contractors pay quarterly estimated income tax and pay, not only for their own social security taxes, but that portion of the social security tax that an employer would normally pay.

In short, real estate licensees operate an independent business within a business. For these reasons, it is an unnecessary financial hardship and inappropriate for the business owner to pay workers compensation for these independent contractors. In fact, the Federal Government - IRS recognizes qualified real estate licensees as independent contractors and by passing HB 409, the state would too.

Your support of this bill is respectfully requested

Revised 3-8-06

Sponsor Statement

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 409(L&C)
 (H) Publish Date: 3/1/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title: No Workers' Comp for Real Estate Licensee RDU: Cor. Bus & Prof Licensing (117)
 Component: Corp. Bus & Prof Licensing
 Sponsor: Lynn Rokeberg
 Requester: Labor & Commerce Component No: 2360

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF Program Receipts						
1037 GF/Mental Health						
1156 Receipt Supported Services						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal.

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary.)

This legislation excludes real estate licensees from workers' compensation coverage. It does not impact the operations of the division.

Prepared by: Katherine Mason, Administrative Manager Phone: (907) 465-2572
 Division: Corporations and Licensing Date/Time: 2/24/06 5:17 PM
 Approved by: William C. Noll, Commissioner Date: 2/24/2006
 Agency: Commerce, Community, and Economic Development

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Employee or Contractor? "The Definition Is Changing-- Again!"

© by [Greta P. Hicks, CPA](#)

"For nearly 20 years, the IRS has been prohibited by law from issuing any guidance regarding employment tax status," Commissioner Richards said. In 1986 and in 1995, when this author attended the White House Conference on Small Business, the employee versus contractor issue was discussed at length by irate business owners. It appears that the IRS has at last heard our complaint. In a March 18 announcement, IRS Commissioner Richardson stated, "People have complained about the uncertainty that results from worker classification under the 20 common law standard(s), yet we (the IRS) are prohibited from issuing guidance that is more up to date. I believe that these initiatives we are announcing today will help ease some pressures that both the business community and the IRS face."



The IRS announced on March 18, 1996 that they are suspending employee-independent contractors audits for the next few months and they have developed new audit training manuals and employment tax audit guidelines. Also included in this announcement is a "let's make a deal" settlement offer.

Whether a worker is defined as an employee or independent contractor is a matter of a complex set of 20 common law factors plus interpretations by numerous court cases. Back in the late 70's the courts and IRS audit teams were overwhelmed with mountains of audits related to the definition of an employee. A cry went from businesses to Capital Hill and Congress passed Section 530 of the Revenue Act of 1978. Companies received a brief reprieve from employment tax audits until the late 80's and early 90's when the IRS began re-attacking the employee versus contractor issue. Now, with the IRS audit teams again being in a quagmire over the issue, the IRS has taken the initiative to more clearly define employee and to offer those businesses already under audit an alternative to bankruptcy.

The most recent suspension of employee versus contractor audits is to give the IRS time to train auditors in field on the new manual procedure related to worker reclassification. The training materials will focus on defining an employee by determining the control the company has over the workers. The materials discuss the control factors under the 20 common law standards and guide auditors in determining which of those 20 factors are relevant. The IRS defines control as:

Anyone who performs services is an employee if you, as an employer, can control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the legal right to control the method and result of the services.

A draft copy of the new manual on worker reclassification can be obtained free. Write Dean, IRS School of Taxation, CD TX, 2221 S. Clark St., Arlington, VA 22202.

Safe-Harbor Rules

Section 530 of the Revenue Act of 1978, prohibited the IRS by law from issuing any guidance regarding employment tax status and proposed several "safe-harbor rules" for companies who

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Tax Year Info

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Printer Friendly Page

were under employment tax audits. Roughly, Section 530 passed by Congress in 1978 said "IRS lay off until we (Congress) defines an employee." Here 18 years later, Congress has not define employee and has prohibited the IRS from issuing any regulations on the subject.

Over the years, the IRS interpretation of the "safe-harbor rules" has gone from liberal to conservative. In 1979 and 1980 on most employment tax audits, the IRS allowed companies to fall under the safe-harbor rules. But during the era of the "no new taxes" the IRS began a ultra conservative interpretation of Section 530 and it was near impossible for any company under IRS employment tax audit to claim the safety of Section 530.

On March 18 the IRS announced that they are establishing new procedures that will ensure that auditors properly apply the taxpayer relief provisions under Section 530 of the Revenue Act of 1978. The new policy on application of the safe-harbor rules will be more liberal and allow more companies to rely upon Section 530 safe havens.

Let's Make A Deal

The most significant aspects of the March 18 announcement details the two new expedited procedures for companies whose existing worker classifications are being questioned by the IRS.

First, the IRS is establishing new procedures under an optional classification settlement program that will allow companies and auditors to resolve contractor versus employee issues earlier in the audit process.

For example, companies that filed Form 1099 Information Returns, but failed to meet the other two requirements under Section 530 safe-harbor rules, could reclassify their workers to employees prospectively and pay only a specified tax assessment not exceeding one year's liability. The amount of the assessment would depend on the extent to which the company has satisfied the safe-harbor requirements under Section 530.

Secondly, the IRS has expanded procedures developed last year to allow companies to, at their option, to appeal employee versus contractor issues to the IRS Appeals function even while an audit is in progress. This procedure, which is a part of the taxpayer rights initiatives the IRS announced earlier this year, is designed to resolve employee versus contractor issues earlier in the audit process.

Time Line

On March 5, 1996, the IRS began a two year test period of the classification settlement program. A one year's test of the early referral to Appeals procedures begins on March 18, 1996.

During the suspension of the employee versus independent contractors audits, the IRS will be training field office personnel on the new expedited procedures for companies currently under audit. This author believes that because the training has not been budgeted for during the current fiscal year, the training will not take place until after October 1, 1996, the beginning of the next fiscal year's budget. The effect of budget constraints will be to put on hold any existing audits or appeals until after the training of field personnel. The date of the training will vary across the country depending upon other budgetary demands of local offices.

Bottom Line

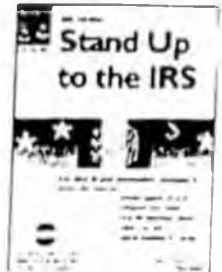
Under this new policy, the IRS will waive much of the back taxes it asserts that companies owe. For many companies that have been consistent in how they classify their workers, the IRS will let them to shift to employee status without penalties for prior years. This policy is consistent with other recent policy changes which focus on future compliance of companies rather than concentrating heavily of punishment for past non-compliance with the laws. Although not a solution for every company, it is a beginning step to settlement.

For More Information

<http://www.unclefed.com/AuthorsRow/GretaHicks/employeecon.html>

Contesting IRS Penalties

By Holmes F. Crouch



By Frederick W. Daily



By Frederick W. Daily

Call the IRS at 1-800-TAX-FORM and ask for Publication 937 Business Reporting and for Form SS-8 Information for Use in Determining Whether a Worker is an Employee for Federal Employment Taxes and Income Tax Withholding. The purpose of the SS-8 is for workers and companies to answer the questions, mail the SS-8 to their Service Center, and receive back a Private Letter Ruling from the IRS on the status of the company's worker(s). Do not take these questions lightly. Secure a copy of the SS-8 for yourself. The questions are worded in such a way that most all workers are employees. Occasionally, the IRS Revenue Officers requests that companies complete SS-8. Professional tax advise should be sought before submitting this or other forms to the IRS.

Who Is An Employee?

The IRS Definition

The Internal Revenue Service uses these criteria to determine whether an individual is an employee or an independent contractor. The worker is an employee if

- You or your representative tells the worker where, when, and how to work
- You train the worker
- The business performance depends on the worker
- The worker has a continuing relationship with the company
- The worker's services must be personally rendered by the him/her
- You set the worker's work hours
- The worker works on the employer's premises
- You are paid by the hour, weeks, or month
- You furnish tools and materials
- You can fire the worker without violating a contract
- The worker has a right to quit without incurring a liability
- The worker does not offer the worker's services to the public at large
- The worker has no opportunity for profit or loss as a result of the worker's service
- The worker has no significant investment in the business
- You require the worker to submit oral or written reports
- The worker is a corporate officer

Section 530 Safe Harbor Rules

Section 530 provides certain safe harbor rules. If you could fall under these safe-harbor rules the IRS could not re-define the worker as a employee. In general, if the

- company treated in individuals consistently as a contractor, and the
- company was in full compliance by filing all required forms such as Form 1099, and if the
- company could rely on one of three basis for their practice of carrying the worker as a contractor
 - Judicial precedent (A court case in the company's favor)
 - Past IRS Audit (A past IRS audit determine the worker to be a contractor)
 - Industry Practice (There is a long-standing recognized practice of treating such workers as contractor)
- then, the IRS could not change the status of the worker to employee

20 Common Law Factors

1. Instructions
2. Training
3. Integration
4. Service rendered personally

- 5 Hiring, supervising, and paying assistants
- 6 Continuing relationship
- 7 Set hours of work
- 8 Full-time work required
- 9 Doing work on business owner's premises
- 10 Accomplishing work in certain order or sequence
- 11 Submission of oral or written reports
- 12 Method of payment
- 13 Payment of business or traveling expenses
- 14 Furnishing tools and equipment
- 15 Significant investment
- 16 Realization of profit or loss
- 17 Work for one entity at a time
- 18 Offer their services to the general public
- 19 Right to discharge
- 20 Right to terminate

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[List of Articles by Greta P. Hicks, CPA](#)

GRETA P. HICKS, CPA and former IRS manager concentrates in solutions to IRS problems and advises business and tax professional on IRS policies and procedures. Ms Hicks is owner of TAX SOLUTIONS, Inc., a company providing educational materials and programs on solutions to IRS problems and is a nationally known speaker and writer on solutions to IRS problems. To arrange for consultation contact gretahickscpa@yahoo.com Greta's web site <http://www.gretahicks.com>

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Licensed Real Estate Agents - Real Estate Tax Tips

Most real estate professionals operate their business as a sole proprietorship. This means that you are not someone's employee, you haven't formed a partnership with anyone, and you have not incorporated your business.

Statutory Nonemployees

Licensed real estate agents are statutory nonemployees and are treated as self-employed for all Federal tax purposes, including income and employment taxes, if:

- Substantially all payments for their services as real estate agents are directly related to sales or other output, rather than to the number of hours worked.
- Their services are performed under a written contract providing that they will not be treated as employees for Federal tax purposes.

This category includes individuals engaged in appraisal activities for real estate sales if they earn income based on sales or other output.

Additional Resources

Publication 15-A, Employer's Supplemental Tax Guide (Supplement to Circular E, Employer's Tax Guide, Publication 15)

18. **Making Service Available to General Public.** Does the worker offer services to the public? The fact that a worker makes his or her services available to the general public on a regular and consistent basis indicates an independent contractor relationship.
19. **Right to Discharge.** Can the worker be fired? The right to discharge a worker is a factor indicating that the worker is an employee and the person possessing the right is the employer. An employer exercises control through the threat of dismissal, which causes the worker to obey the employer's instructions. An independent contractor, on the other hand, cannot be fired as long as the independent contractor produces a result that meets the contract specifications.
20. **Right to Terminate.** Can the worker quit without incurring liability? If the worker has the right to end his or her relationship with the person for whom the services are performed at any time without incurring liability, an employer/employee relationship exists.

These are the factors the IRS has used when determining whether a real estate salesperson is an employee or common-law independent contractor. Some examples of how these factors have been applied can be found in the summaries of relevant case decisions and private letter rulings in the Appendix.

The Federal "Safe Harbor" Rule

Also of interest to real estate brokers who desire to maintain a common-law independent contractor relationship with salespeople is the "safe harbor" provision under Section 530 of the Revenue Act of 1978.

Under this section, the IRS exempts independent contractors from the 20 common law factors if all of the following three criteria are met:

1. Individuals doing similar work have been consistently treated like independent contractors since December 31, 1977.
2. The independent contractor never has been treated like an employee, and since December 31, 1978, 1099s have been filed for the independent contractor.

3. There was a reasonable basis for treating the worker as an independent contractor based on:
- Similar judicial rulings, IRS rulings, or an IRS technical advice memorandum;
 - Previous audits, in which a broker was not fined for treating workers doing similar work as independent contractors; or
 - Practice in the industry to treat such workers as independent contractors.

This exemption does not apply to state law requirements such as state income tax withholding, workers' compensation, and unemployment compensation. Nor does it apply to legal liability; for example, for tortious acts of the sales associate.

Statutory Independent Contractor (Non-Employee)

Due in part to the difficulty that frequently arose in the application of the 20 factors by the Internal Revenue Service, in 1982, under the Tax Equity and Fiscal Responsibility Act (TEFRA), Congress created a new category of independent contractor for federal tax purposes known as a "statutory non-employee" or "statutory independent contractor." It is contained in Section 3508 of the Internal Revenue Code.

In order to qualify as a statutory independent contractor, the following three criteria must be met:

1. The sales associate must be a licensed real estate agent.
2. Substantially all of the sales associate's remuneration for the services performed as a real estate agent must be directly related to sales or other output rather than to the number of hours worked.
3. A written agreement must exist between the sales associate and the person for whom he or she works, which agreement must provide that the sales associate will not be treated as an employee with respect to such services for federal tax purposes.

This three-part test is far less complicated than the application of multiple factors under the common law.

Licensure

The licensure requirement should be easily satisfied by all real estate salespeople in view of the license law requirements in all states, territories, and the District of Columbia.

INDEPENDENT CONTRACTOR OR EMPLOYEE?



SECTION 530 PROVIDES
BUSINESSES WITH
RELIEF FROM FEDERAL
EMPLOYMENT TAX
OBLIGATIONS IF CERTAIN
REQUIREMENTS ARE MET

SECTION 530 RELIEF REQUIREMENTS

Your business has been selected for an employment tax examination to determine whether you correctly treated certain workers as independent contractors. However, you will not owe employment taxes for these workers, if you meet the **relief requirements** described below. If you do not meet these **relief requirements**, the IRS will need to determine whether the workers are independent contractors or employees and whether you owe employment taxes for those workers.

Section 530 Relief Requirements:

To receive relief, you must meet all three of the following requirements:

I. Reasonable Basis

First, you had a reasonable basis for not treating the workers as employees. To establish that you had a reasonable basis for not treating the workers as employees, you can show that:

- You reasonably relied, in a court case about Federal taxes or a ruling issued to you by the IRS, or
- Your business was audited by the IRS at a time when you treated similar workers as independent contractors and the IRS did not reclassify those workers as employees, or

- You treated the workers as independent contractors because you knew that was how a significant segment of your industry treated similar workers, or
- You relied on some other reasonable basis. For example, you relied on the advice of a business lawyer or accountant who knew the facts about your business.

If you did not have a reasonable basis for treating the workers as independent contractors, you do not meet the **relief requirements**.

II. Substantive Consistency

In addition, you (and any predecessor business) must have treated the workers, and any similar workers, as independent contractors. If you treated similar workers as employees, this relief provision is not available.

III. Reporting Consistency

Finally, you must have filed Form 1099-MISC for each worker, unless the worker earned less than \$600. Relief is not available for any year you did not file the required Forms 1099-MISC. If you filed the required Forms 1099-MISC for some workers, but not for others, relief is not available for the workers for whom you did not file Forms 1099-MISC.

The IRS examiner will answer any questions you may have about your eligibility for this relief.





This Employment Tax Resource Courtesy Of
The Independent Contractor Report
 James R. Ungar, III, Esq.
 Editor

Full Text, as Amended
 of
Section 530
 of the
Revenue Act of 1978
 entitled
**Controversies Involving Whether Individuals are Employees
 for Purposes of Employment Taxes**

Section 530 Table of Contents

- (a) Termination of Certain Employment Tax Liability
 - (b) Prohibition Against Regulations and Rulings on Employment Status
 - (c) Definitions
 - (d) Exception
 - (e) Special Rules For Application of Section
-

Section 530 of the Revenue Act of 1978, 26 U.S.C.A. Sec. 3401 note, Pub. L. 95-600, as amended by Pub. L. 96-167, Sec. 9(d), Dec. 29, 1979, 93 Stat. 1278; Pub. L. 96-541, Sec. 1, Dec. 17, 1980, 94 Stat. 3204; Pub. L. 97-248 [Tax Equity and Fiscal Responsibility Act of 1982], title II, Sec. 269(c)(1), (2), 96 Stat. 552; Pub. L. 99-514, Sec. 2, title XVII, Sec. 1706(a), Oct. 22, 1986, 100 Stat. 2095, 2781; Pub. L. 104-188 [Small Business Job Protection Act of 1996], Sec. 1122, August 20, 1996, provides that

(a) Termination of Certain Employment Tax Liability. [Top]

(1) In general.

- If -

(A) for purposes of employment taxes, the taxpayer did not treat an individual as an employee for any period, and

(B) in the case of periods after December 31, 1978, all Federal tax returns

(including information returns) required to be filed by the taxpayer with respect to such individual for such period are filed on a basis consistent with the taxpayer's treatment of such individual as not being an employee.

then, for purposes of applying such taxes for such period with respect to the taxpayer, the individual shall be deemed not to be an employee unless the taxpayer had no reasonable basis for not treating such individual as an employee

(2) Statutory standards providing one method of satisfying the requirements of paragraph (1).

- For purposes of paragraph (1), a taxpayer shall in any case be treated as having a reasonable basis for not treating an individual as an employee for a period if the taxpayer's treatment of such individual for such period was in reasonable reliance on any of the following:

(A) judicial precedent, published rulings, technical advice with respect to the taxpayer, or a letter ruling to the taxpayer,

(B) a past Internal Revenue Service audit of the taxpayer in which there was no assessment attributable to the treatment (for employment tax purposes) of the individuals holding positions substantially similar to the position held by this individual; or

(C) long standing recognized practice of a significant segment of the industry in which such individual was engaged

(3) Consistency required in the case of prior tax treatment.

- Paragraph (1) shall not apply with respect to the treatment of any individual for employment tax purposes for any period ending after December 31, 1978, if the taxpayer (or a predecessor) has treated any individual holding a substantially similar position as an employee for purposes of the employment taxes for any period beginning after December 31, 1977.

(4) Refund or credit of overpayment.

- If refund or credit of any overpayment of an employment tax resulting from the application of paragraph (1) is not barred on the date of the enactment of this Act (Nov. 6, 1978) by any law or rule of law, the period for filing a claim for refund or credit of such overpayment (to the extent attributable to the application of paragraph (1)) shall not expire before the date 1 year after the date of the enactment of this Act (Nov. 6, 1978)

(b) Prohibition Against Regulations and Rulings on Employment Status.

[Top]

- No regulation or Revenue Ruling shall be published on or after the date of the enactment of this Act (Nov. 6, 1978) and before the effective date of any law hereafter enacted clarifying the employment status of individuals for purposes of the employment taxes by the Department of the Treasury (including the Internal Revenue Service) with respect to the employment status of any individual for purposes of the employment taxes.

(c) Definitions. [Top]

- For purposes of this section -

(1) Employment tax. - The term 'employment tax' means any tax imposed by subtitle C of the Internal Revenue Code of 1986 (formerly I.R.C. 1954, section 3101 et seq. of this title)

(2) Employment status. - The term 'employment status' means the status of an individual, under the usual common law rules applicable in determining the employer-employee relationship, as an employee or as an independent contractor (or other individual who is not an employee)

(d) Exception. [Top]

- This section shall not apply in the case of an individual who, pursuant to an arrangement between the taxpayer and another person, provides services for such other person as an engineer, designer, drafter, computer programmer, systems analyst, or other similarly skilled worker engaged in a similar line of work.

(e) Special Rules For Application of Section. [Top]**(1) NOTICE OF AVAILABILITY OF SECTION**

- An officer or employee of the Internal Revenue Service shall, before or at the commencement of any audit inquiry relating to the employment status of one or more individuals who perform services for the taxpayer, provide the taxpayer with a written notice of the provisions of this section

(2) RULES RELATING TO STATUTORY STANDARDS

- For purposes of subsection (a)(2) -

(A) a taxpayer may not rely on an audit commenced after December 31, 1996, for purposes of subparagraph (B) thereof unless such audit included an examination for employment tax purposes of whether the individual involved (or any individual holding a position substantially similar to the position held by the individual involved) should be treated as an employee of the taxpayer.

(B) in no event shall the significant segment requirement of subparagraph (C) thereof be construed to require a reasonable showing of the practice of more than 25 percent of the industry (determined by not taking into account the taxpayer), and

(C) in applying the long-standing recognized practice requirement of subparagraph (C) thereof-

(i) such requirement shall not be construed as requiring the practice to have continued for more than 10 years, and

(ii) a practice shall not fail to be treated as long-standing merely because such practice began after 1978

(3) AVAILABILITY OF SAFE HARBORS

- Nothing in this section shall be construed to provide that subsection (a) only applies where the individual involved is otherwise an employee of the taxpayer

(4) BURDEN OF PROOF-**(A) IN GENERAL**

- If -

(i) a taxpayer establishes a prima facie case that it was reasonable not to treat an individual as an employee for purposes of this section, and

(ii) the taxpayer has fully cooperated with reasonable requests from the Secretary of the Treasury or his delegate,

then the burden of proof with respect to such treatment shall be on the Secretary

(B) EXCEPTION FOR OTHER REASONABLE BASIS

- In the case of any issue involving whether the taxpayer had a reasonable basis not to treat an individual as an employee for purposes of this section, subparagraph (A) shall only apply for purposes of determining whether the taxpayer meets the requirements of subparagraph (A), (B), or (C) of subsection (a)(2)

(5) PRESERVATION OF PRIOR PERIOD SAFE HARBOR

- If -

(A) an individual would (but for the treatment referred to in subparagraph (B)) be deemed not to be an employee of the taxpayer under subsection (a) for any prior period, and

(B) such individual is treated by the taxpayer as an employee for employment tax purposes for any subsequent period,

then, for purposes of applying such taxes for such prior period with respect to the taxpayer, the individual shall be deemed not to be an employee

(6) SUBSTANTIALLY SIMILAR POSITION

- For purposes of this section, the determination as to whether an individual holds a position substantially similar to a position held by another individual shall include consideration of the relationship between the taxpayer and such individuals

[End of Section 530, as amended]

Editor's Note:

1. Section 530(d), added by Section 1706(b) of Pub L 99-514, applies to remuneration paid and services rendered after December 31, 1986. Source Pub L 99-514
2. In general, amendments made by Section 530(e), added by Section 1122 of Pub L 104-188 [Small Business Job Protection Act of 1996] shall apply to periods after December 31, 1996. **NOTICE BY INTERNAL REVENUE SERVICE** - Section 530(e)(1) shall apply to audits which commence after December 31, 1996. **BURDEN OF PROOF - IN GENERAL** - Section 530(e)(4) shall apply to disputes involving periods after December 31, 1996. **NO INFERENCE** - Nothing in the amendments made by this section shall be construed to infer the proper treatment of the burden of proof with respect to disputes involving periods before January 1, 1997. Source Pub L 104-188

[Top]

5 of 7 DOCUMENTS

UNITED STATES CODE SERVICE
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*** CURRENT THROUGH PL 109-160, APPROVED 12/30/05 ***
 *** WITH A GAP OF 109-155 ***

TITLE 26 INTERNAL REVENUE CODE
 SUBTITLE C EMPLOYMENT TAXES AND COLLECTION OF INCOME TAX
 CHAPTER 25 GENERAL PROVISIONS RELATING TO EMPLOYMENT TAXES AND COLLECTION OF
 INCOME TAXES AT SOURCE

GO TO CODE ARCHIVE DIRECTORY FOR THIS JURISDICTION

26 USC § 3508 (2005)

§ 3508 Treatment of real estate agents and direct sellers

(a) General rule. For purposes of this title, in the case of services performed as a qualified real estate agent or as a direct seller

- (1) the individual performing such services shall not be treated as an employee, and
- (2) the person for whom such services are performed shall not be treated as an employer.

(b) Definitions. For purposes of this section

- (1) Qualified real estate agent. The term "qualified real estate agent" means an individual who is a sales person if—
 - (A) such individual is a licensed real estate agent
 - (B) substantially all of the remuneration (whether or not paid in cash) for the services performed by such individual as a real estate agent is directly related to sales or other output (including the performance of services) rather than to the number of hours worked, and
 - (C) the services performed by the individual are performed pursuant to a written contract between such individual and the person for whom the services are performed and such contract provides that the individual will not be treated as an employee with respect to such services for Federal tax purposes.
- (2) Direct seller. The term "direct seller" means any person if—
 - (A) such person
 - (i) is engaged in the trade or business of selling (or soliciting the sale of) consumer products to any buyer on a buy-sell basis, a deposit-commission basis, or any similar basis which the Secretary prescribes by regulations, for resale (by the buyer or any other person) in the home or otherwise than in a permanent retail establishment,
 - (ii) is engaged in the trade or business of selling (or soliciting the sale of) consumer products in the home or otherwise than in a permanent retail establishment, or
 - (iii) is engaged in the trade or business of the delivering or distribution of newspapers or shopping news (including any services directly related to such trade or business);
 - (B) substantially all the remuneration (whether or not paid in cash) for the performance of the services described in subparagraph (A) is directly related to sales or other output (including the performance of services) rather than to the number of hours worked, and
 - (C) the services performed by the person are performed pursuant to a written contract between such person and the person for whom the services are performed and such contract provides that the person will not be treated as an employee with respect to such services for Federal tax purposes.
- (3) Coordination with retirement plans for self-employed. This section shall not apply for purposes of subtitle A [26 USC §§ 7 et seq.] to the extent that the individual is treated as an employee under section 401(c)(1) [26 USC § 401(c)(1)] (relating to self-employed individual).

HISTORY

(Added Sept. 3, 1982, P.L. 97-248, Title II, § 269(a), 96 Stat. 551; Aug. 20, 1996, P.L. 104-188, Title I, § 1118(a), 110 Stat. 1764.)

HISTORY, ANCHILARY LAWS AND DIRECTIVES**Amendments**

In 1996, P.L. 104-188, Sec. 1118(a) (applicable to services performed after 12/31/95, as provided by Sec. 1118(b), which appears as a note to this section), amended subsec. (b)(2)(A) by deleting "or" at the end of cl. (i), inserting "or" at the end of cl. (ii) and adding cl. (iii).

In 1982, P.L. 97-248, Sec. 269(a), added Code Sec. 3508, effective for services performed after 12/31/82.

Other provisions

Rules and regulations. Act Sept. 3, 1982, P.L. 97-248, Title II, § 269(c)(3), 96 Stat. 553, provides: "Nothing in section 530 of the Revenue Act of 1978 [26 USCS § 3401 note] shall be construed to prohibit the implementation of the amendments made by this section [enacting this section, amending 42 USCS § 410 and 26 USCS § 3401 note]."

Application of Aug. 20, 1996 amendments. Act Aug. 20, 1996, P.L. 104-188, Title I, Subtitle A, § 1118(b), 110 Stat. 1764 provides: "The amendments made by this section [amending subsec. (b)(2)(A) of this section] shall apply to services performed after December 31, 1995."

NOTES**Related Statutes & Rules**

This section is referred to in 42 USCS § 410.

Research Guide**Am. Jur.**

35 Am. Jur. 2d, Federal Tax Enforcement § 163.

31A Am. Jur. 2d, Federal Taxation (2005) §§ 9161, 9506, 9516, 9810, 9811.

704 Am. Jur. 2d, Social Security and Medicare §§ 286, 288, 289, 291.

Labor and Employment

16 Labor and Employment Law (Matthew Bender), ch. 261, Terms, Conditions, Privileges of Employment, and Independent Contractor Status § 261.06.

Interpretive Notes and Decisions

1. Generally 2. "Consumer products"

1. Generally

Telemarketers and delivery personnel who market gourmet food products by telephone or personal sales, are compensated solely on commissions and serve under written agreement that they are not treated as employee for employment tax purposes, are direct sellers, it is not necessary that copies of each written contract be produced, and it is sufficient that the taxpayer have samples of contracts and evidence that telemarketers and delivery personnel executed such agreements. *Smoky Mt. Secrets v. United States* (1995, ED Tenn.) 910 F. Supp. 1316, 95-2 USTC ¶ 50573, 76 AFTR 2d 6974, 95 TNT 210-16, reported in full (1995, ED Tenn.) 1995 US Dist LEXIS 20748.

2. "Consumer products"

"Consumer products" for purposes of § 3508 include both tangible consumer goods and intangible consumer services, consumer products include home study educational courses for instruction-by-mail educational institute, accordingly, direct sellers of home study educational courses who meet other § 3508 requirements can be considered independent contractors. *Cleveland Inst. of Electronics v. United States* (1992, ND Ohio) 787 F. Supp. 741, CCH Unemployment Ins. Rep. P 16533A, 92-1 USTC ¶ 50182, 69 AFTR 2d 1015.

Definition of "consumer product" includes both tangible consumer goods and intangible consumer services, and

accordingly persons who sell home study educational courses sell consumer products *Cleveland Inst of Electronics v United States* (1992, ND Ohio) 787 F Supp 741, *CCH Unemployment Ins Rep P 16583A* 92-1 USTC P 50182 69 AFTR 2d 1015

Sales personnel who sell cable television subscriptions qualify as direct sellers and are properly treated as independent contractors since cable television subscriptions qualify as consumer products *R Corp v United States* (1994, MD Fla) *CCH Unemployment Ins Rep P 14033B* 94-2 USTC P 50380, 74 AFTR 2d 5620 94 T.N.T 156-34, magistrate's recommendation, costs fees proceeding (1996, MD Fla) 77 AFTR 2d 855

Specialty advertising products, such as pens, key chains, coffee mugs, and like distributed by business as form of advertising are not consumer products since personal or household use of item is subordinate to its purpose of conveying advertising message *Private Letter Ruling 9143046*

HB

439

SENATE COMMITTEE REPORT

DATE: 4/7/06

FURTHER: Judiciary

DATE TURNED
IN TO OFFICE: _____

Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 439(L&C) am

HB 439 INSURANCE PRODUCT REGULATION COMPACT

"An Act relating to authorizing the state to join with other states in entering into the Interstate Insurance Product Regulation Compact."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:

- Same Title
- New Title

SCS House Bill:

- Same Title
- Technical Title Change
- New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	NO REC	AMEND
<i>Bettye Davis</i>			X	
<i>Alvin Seelan</i>	/			
<i>Ben J. Allen</i>	/			
CHAIR: <i>A. Brundage</i>	✓			

ALASKA STATE HOUSE OF REPRESENTATIVES



Session

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Room 204**

REPRESENTATIVE JOHN COGHILL

HB 439 Comparison of Bill Versions

Changes made to original bill by the Labor & Commerce Committee Substitute:

Page 23, Line 17:

Deleted Sec. 2. Added language to AS 21.45.010 applicability in Chapter 45 "Life Insurance and Annuities" that allowed provisions of Chapter 45 to be "entirely superseded" by provisions adopted under the Interstate Insurance Product Regulation Compact.

Page 23, line 21:

Deleted Sec. 3. Added language to AS 21.51.010 applicability in Chapter 51 "Health Insurance Policies" that allowed provisions of Chapter 51 to be "entirely superseded" by provisions adopted under the Interstate Insurance Product Regulation Compact.

Page 23, line 25:

Section 4 is renumbered as Section 2.

ALASKA STATE HOUSE OF REPRESENTATIVES

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REPRESENTATIVE JOHN COGHILL

HB 439 Sectional Analysis

Section 1. Adopts the Interstate Insurance Product Regulation Compact.

By adopting the compact the state enters into an agreement with other states to develop uniform standards for insurance policies, provide a central clearinghouse for review and approval of insurance policy forms and to coordinate regulatory resources between state insurance departments. Section 1 includes the compact wording.

The compact:

Article I, sets out the purpose of the compact.

- (1) Promoting and protecting the interests of consumers of life insurance, disability income and long term care products.
- (2) Developing uniform standards.
- (3) Establishing a central clearinghouse for insurance product review.
- (4) Giving regulatory approval to insurance products and advertisements.
- (5) Improving coordination and expertise among members.
- (6) To create the Interstate Product Regulation Commission.
- (7) To perform related functions consistent with State regulation of the business of insurance.

Article II, is the definitions section.

Article III, establishes the Interstate Product Regulation Commission and venue.

Article IV, sets out the powers of the Interstate Product Regulation Commission.

Article V, sets out the organization of the Interstate Product Regulation Commission.

Article VI, sets out participation in and scheduling of meetings of the Interstate Product Regulation Commission.

Article VII, sets out the rules and operating procedures; rulemaking functions of the Interstate Product Regulation Commission opting out of uniform standards.

Article VIII, provides for management of Interstate Product Regulation Commission records and enforcement of commission rules.

Article IX, sets out how disputes will be resolved.

Article X, provides for insurers to make filings with the Interstate Product Regulation Commission.

Article XI, provides an appeal procedure for disapproved filings.

Article XII, Sets out how the Interstate Product Regulation Commission will be financed and conduct their financial business.

Article XIII, Defines when the compact and how the compact becomes effective.

Article XIV, covers withdrawal, default and termination by members.

Article XV, is the severability section.

Article XVI, covers the binding effect of the compact and enforcement of other laws.

Section 2. Amends AS 21.53.010 to approve sale and advertising of products in Alaska that have been approved by and comply with the Interstate Compact under AS 21.42.700.

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Room 204

REPRESENTATIVE JOHN COGHILL

HB 439 SPONSOR STATEMENT

Interstate Insurance Product Regulation Act

This bill adds Alaska to the other twenty states that have already joined together in the interstate Insurance Product Regulation Act. Life insurance, annuities, disability income, and long-term care products for the most part must be approved by each state before they are marketed. In addition the states have differing requirements for the structure of these products, so products must be revised to meet each individual state's requirements before they are approved for sale. Consequently, it is expensive and time consuming to market new insurance policies or products as compared to competitors in the financial services marketplace who are federally regulated.

House Bill 439 would enhance state regulation of insurance by creating a Commission governed collectively by the states that would serve as a single point of filing for specified insurance products, and that would establish uniform, national standards for those products. Such a system would benefit consumers and state government as well as the insurers. Consumers will benefit from strong, uniform national product standards. The quality of product review will be enhanced as experienced staff will review the filings, thereby enabling regulators to devote more time and resources to monitoring for problems in the marketplace. The public will have more timely access to innovative insurance products. Importantly the state retains the right to opt out of certain adopted standards if a need is determined.

Alaska is among seventeen states with legislation pending.

The House amended the legislation on the floor on page 23, lines 15 through 25. The language makes policy for the state to opt out of a compact that adopts lower levels of consumer protection than are in state law.

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 439(L&C)
(H) Publish Date: 3/28/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title: Insurance Product Regulation Compact RDU: Insurance (116)
Component: Insurance Operations
Sponsor: Coghill
Requester: Labor & Commerce Component No.: 354

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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 (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation authorizes the state to join with other states entering into the Interstate Insurance Product Regulation Compact and authorizes the compact to supersede existing statutes by approving standards, rules, or other action under the terms on the compact. It will not have a financial impact on the operations of the division.

Prepared by: Linda S. Hall, Director Phone: 907-269-7900
Division: Insurance Date/Time: 03/02/06 8:47AM
Approved by: William C. Noll, Commissioner Date: 3/3/2006
Agency: Commerce, Community and Economic Development

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 439(L&C)
 (H) Publish Date: 3/3/2006

Revision Date/Time (Note if correction): _____ Dept. Affected: DCCED - Div of Ins
 Title Insurance Product Regulation Compact RDU _____
 Component _____
 Sponsor Rep. Coghill
 Requester House Labor & Commerce Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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 (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Rep. Tom Anderson, Chair Phone 465-4939
 Division House Labor & Commerce Committee Date/Time 3/1/06 12:00 AM
 Approved by: Rep. Tom Anderson Date 3/1/2006
 Agency House Labor & Commerce Committee

HCR

4

COMMITTEE REPORT

DATE: 4/25/06

FURTHER: State Affairs

DATE TURNED IN TO OFFICE: _____

Labor and Commerce Committee considered CS FOR HOUSE CONCURRENT RESOLUTION NO. 4(JUD)

HCR 4 METH WATCH PROGRAM

Encouraging the establishment of a methamphetamine watch program.

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:
<input type="checkbox"/> Same Title
<input type="checkbox"/> New Title
SCS House Bill:
<input type="checkbox"/> Same Title
<input type="checkbox"/> Technical Title Change
<input type="checkbox"/> New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Ralph Velkins</i>	✓			
<i>Bar Jones</i>	✓			
CHAIR: <i>CBumbo</i>	✓			

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HCR004-DHSS-DBH-04-18-06
 () Publish Date: _____
 Dept. Affected: Health & Social Services
 RDU Behavioral Health
 Component CAPI Grants

Revision Date/Time (Note if correction): _____

Title ESTABLISHMENT OF A METHAMPHETAMINE WATCH PROGRAM

Sponsor RAMRAS

Requester HOUSE (JUD)

Component No. 2596

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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 (0)						
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FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2006) cost: _____

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The DHSS, Division of Behavioral Health believes the intent of this resolution can be reached within the existing funding base we currently have for prevention and early intervention services. As we work with communities as they identify and establish appropriate programming for their community, a Meth Watch Program would be a viable programming choice. If federal funds become available to help support addition prevention efforts related to Methamphetamine use, abuse and dependency, we will consider applying for such funding, as it fits into our existing programming efforts.

Prepared by: L. Diane Casto
 Division: Behavioral Health
 Approved by: Karleen Jackson, Commissioner
 Agency: Department of Health and Social Services

Phone 907/465-1188
 Date/Time 04/18/2006
 Date 04/18/2006

Representative Jay Ramras
Co-Chair, House Resources
Co-Chair, Economic Develop.
Tourism & Trade
House State Affairs
119 N. Cushman St. Suite 207
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Fax: (907) 452-1146

Alaska State Legislature



While in Session
State Capitol, Room 104
Juneau, Alaska 99801-1182
(907) 465-3004
Fax: 465-2070
Toll Free: (877) 465-3004

House District 10

House of Representatives

Sponsor Statement

House Concurrent Resolution No. 4 Version 24-LS0693\F

Throughout the past decade there have been a number of public awareness programs, which have educated communities about the dangers of alcohol and drugs. Meth Watch is a voluntary program started in Kansas as a public/private partnership in 2001. Meth Watch educates communities about the perils of methamphetamine. Today, twelve states have implemented a Meth Watch program. Although a relatively new campaign, since its implementation, states have reported reductions in the number of methamphetamine laboratories, and have seen a unification of grant programs that fund the education of communities; particularly parents, teachers, and others that work with youth.

The Meth Watch program engages retailers, law enforcement officials, schools, state and local agencies, and other key partners in reducing the diversion of precursor products for the manufacturing of methamphetamine, and increasing awareness about methamphetamine's dangers. The program is also instrumental in educating students and teachers in our schools and communities.

House Concurrent Resolution No. 4 urges that the Meth Watch program be implemented in the State of Alaska, by applying for available grants, and encouraging and assisting communities to apply for funding from both government and private sources.



National Council on Alcoholism and Drug Dependence
Juneau Affiliate
211 4th Street, Suite #102
Juneau, AK 99801

Phone: (907) 483-3755
Fax: (907) 483-2539
<http://www.ncadd-j.org>
National Intervention Network (800) 654-HOPE

April 6, 2005

Representative Jay Ramras
State Capitol
Juneau, Alaska 99801-1182

RE: HCR 4

Dear Representative Ramras:

NCADD is grateful for your sponsorship of House Concurrent Resolution No.4 which encourages the establishment of a methamphetamine watch program.

One of our most profound responsibilities as parents, as public officials, and as citizens is helping to keep our youth safe from illegal drugs. Unfortunately, communities across Alaska have become home to methamphetamine manufacturers and dealers who prey on our young people.

Alaska's methamphetamine problem is especially worrisome because it is easy to make, easy to buy, and extremely addictive. Only through sustained and vigorous efforts on the part of all Alaskans, including community leaders, are we going to be able to eliminate the threat posed by these drugs.

Your work to bring awareness to this growing nightmare demonstrates your commitment to fighting the methamphetamine problem in Alaska.

Respectfully,

Matt Felix

Executive Director





Matanuska-Susitna Borough
350 E. Dahlia Avenue
Palmer, AK 99645
(907)745-4801



Municipality of Anchorage
632 W. 6th Avenue
Anchorage, AK 99501
(907)343-7100



Kenai Peninsula Borough
144 N. Binkley
Soldotna, AK 99669
(907)714-2335

Tri-Borough Commission

April 26, 2006

The Honorable Jay Ramras
Alaska State House
State Capitol, Room 104
Juneau, AK 99801-1182

Dear Representative Ramras:

We write to seek your support to combat a tragic and growing epidemic across our state – the abuse of methamphetamine. Meth is an extremely addictive drug which can lead to severe physical and mental problems - and even death. Meth-related arrests in Alaska are up 640 percent over the past six years and have nearly doubled in the past 24 months.

Meth abuse is becoming rampant in the communities we represent and is growing across Alaska. Even remote rural villages are starting to experience the public health and public safety problems from meth abuse. The federal Drug Enforcement Administration reported in 2004 the "availability of meth is increasing, both from local labs and from meth transported into the state. Alaska is experiencing an increase in the availability of crystal methamphetamine."

Because meth abuse is especially widespread in communities in the Mat-Su Valley, Mat-Su Borough Mayor Tim Anderson is spearheading an education effort to warn Alaskans of the deadly consequences of meth. Mayor Anderson has secured financial pledges totaling approximately \$200,000 from Alaska's largest communities – Anchorage, the Kenai Peninsula Borough and the Fairbanks North Star Borough, and is contacting Juneau, the North Slope Borough and other communities to assist with this effort.

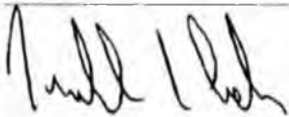
Last week, U.S. Senator Lisa Murkowski visited with the three Tri-Borough Commission mayors. She pledged her support to this campaign and vowed to attempt to secure federal funding for assist with this campaign to combat the growing meth problem. Other states obtained federal grants to combat the growing meth problem, so we will request the senator include Alaska in the funding recently authorized by Congress to deal with meth.

We envision a public information campaign with brochures, broadcast public service announcements and materials for public schools designed to warn Alaskans of the dangers of meth abuse. There currently is no such wide-spread campaign underway in Alaska.

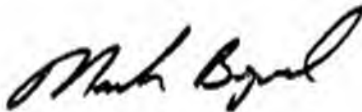
Mayor Anderson was in Juneau earlier this month to meet with legislators about this effort and told them he would request State support for the campaign in the current legislative session. We appreciate that time in short, but we ask that you do everything possible to match in State dollars the \$200,000 in municipal funds Mayor Anderson has been able to secure. We also are seeking contributions from private retailers such as Wal-Mart, Carrs-Safeway, Fred Meyers and others who sell products containing pseudophedrine and ephedrine for legitimate medical purposes.

Thank you in advance for your assistance. We must join together to fight this new blight on Alaskans.

Sincerely,



Tim Anderson
Mayor



Mark Begich
Mayor



John Williams
Mayor



Looking out for our commu



[Background on Methamphetamine](#)

[The Meth Watch Program](#)

[How Meth Watch Works](#)

[Meth Watch Materials](#)

[Meth Watch in Your State](#)

[Other Elements to Meth Awareness](#)

SEARCH:

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Communities all across America are suffering from the plague of methamphetamine production and usage. And these communities – many of which are rural and suburban – are looking for effective and innovative ways to fight back against this illegal menace. Meth Watch is the first national effort aimed at curbing the spread of methamphetamines, and will provide a critical step in reducing the availability of meth in communities nationwide.

Started in Kansas as a public-private partnership between law enforcement, state officials, and the retail community, Meth Watch is designed to help curtail the suspicious sale and theft of common household products used in the illicit manufacturing of methamphetamine.

Meth Watch is a voluntary program that involves a variety of people at the community and state level, although retail involvement is the cornerstone of this program. This web site provides states interested in learning more about the Meth Watch program with the resources needed to implement and maintain a Meth Watch program.

"Whenever we can partner with our citizens and businesses to improve public safety, we are much more successful. Only with an a.i.-out, comprehensive effort can we hope to stop the insidious creep of methamphetamine into our communities."

*—"A New Ally in the War on Meth,"
written by Sheriff Mark Sterk,
Spokane County, Washington, Sheriff,
November- December 2004*

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News**
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News



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The Meth Watch Program

What is Meth Watch?

Communities across America plagued by methamphetamine usage and production are looking for effective and innovative ways to combat this growing problem.

Meth Watch is a program sponsored by the Consumer Healthcare Products Association (CHPA) and is designed to help curtail the theft and suspicious sales of pseudoephedrine products, as well as other common household products used in the illicit manufacturing of methamphetamine in small, toxic labs. A key goal of this program is to promote cooperation between retailers and law enforcement to prevent the diversion of legitimate products for illegal use.

Meth Watch was started in Kansas as a public-private partnership between the Kansas Department of Health and Environment, the Kansas Bureau of Investigation, the Kansas Methamphetamine Prevention Project (part of the non-profit statewide drug prevention system), and Kansas retailers. As news spread of its success, several states began to adopt the Kansas model. Many more expressed interest, but were deterred by the lack of resources and know-how.

That's where the national Meth Watch program comes in. CHPA provides a one-stop shop to help interested states implement Meth Watch in their communities through the Meth Watch resource center at www.methwatch.com. Through Meth Watch, retailers and law enforcement will help increase awareness about the diversion of legal products to the illegal manufacture of methamphetamine and will assist local communities in addressing the meth problem.

The Kansas Story

The Kansas Meth Prevention Project (KMPP) began as a public-private partnership formed in October 2001 to develop a statewide infrastructure to fight the methamphetamine problem in Kansas communities. The program received funding through the Substance Abuse and Mental Health Services Administration (SAMHSA) in 2002. CHPA and its member companies are providing funding for its efforts in 2004. The goals of the project include reducing the supply of methamphetamine by monitoring the availability of products used in the manufacture of methamphetamine and reducing the demand for methamphetamine by providing opportunities for youth education and community awareness about the dangers of the drug.

A statewide network of agencies partnered to make the KMPP successful. The agencies are: Kansas Department of Health and Environment (KDHE), Kansas Bureau of Investigation, Prevention and Recovery Services in Topeka, Kansas Social and Rehabilitation Services, Kansas Regional Prevention Centers, Kansas State University Research and Extension, and the Kansas National Guard, to name a few.

The KMPP conducts "train the trainer" sessions throughout the state to increase awareness of Meth Watch and other prevention strategies. Kansas learned early on that local participation is the key to the successful implementation of Meth Watch and achieved widespread community involvement through an ongoing mini-grant process. The KDHE distributes Meth Watch materials to retailers and other interested parties statewide on a regular basis and nationwide as requested. For further information, contact T.J. Cialfone, KDHE Bureau of Environmental Remediation Response Unit chief, or Cristi Cain, KMPP project coordinator.

Other Meth Watch Programs

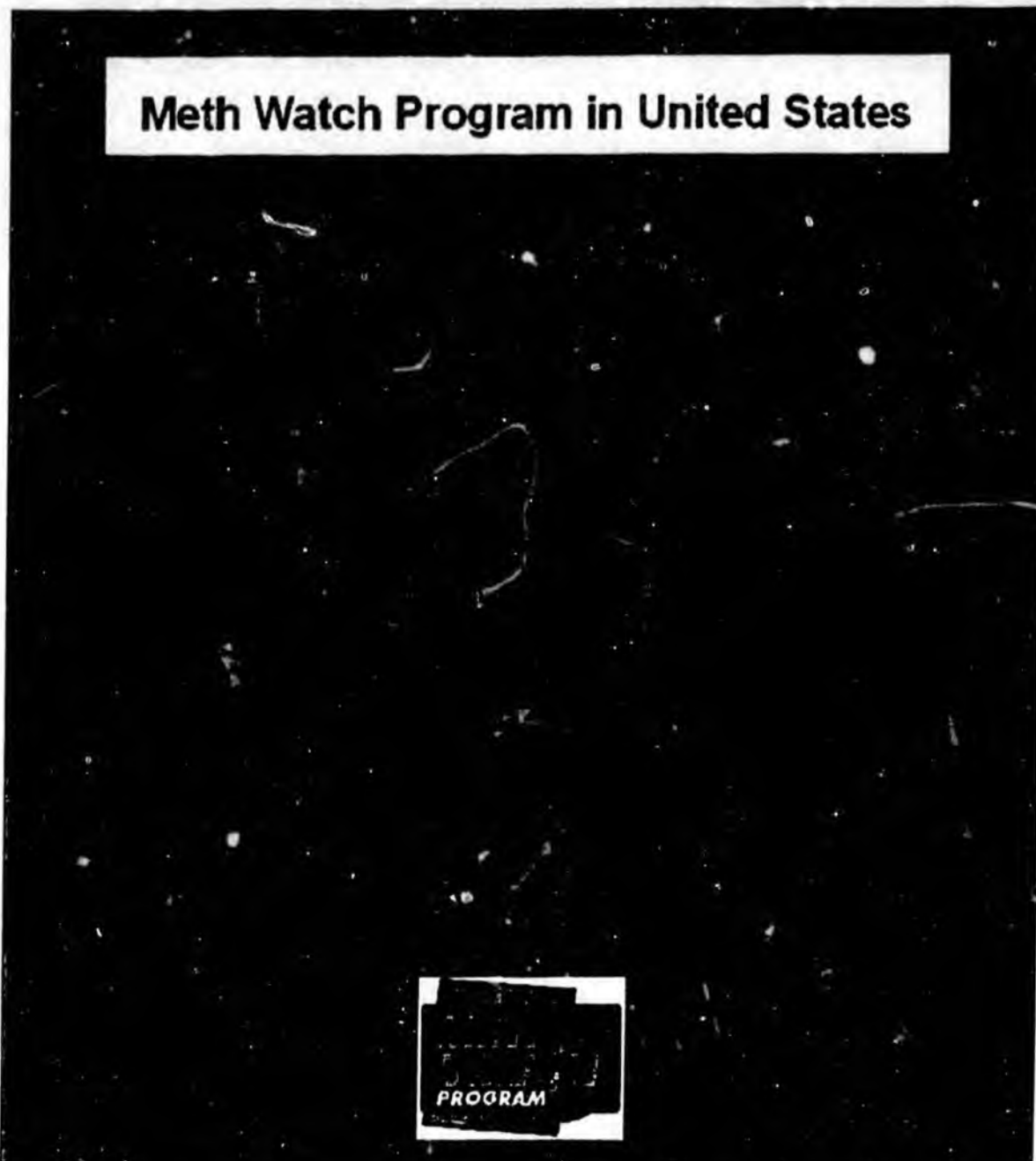
CHPA has made funds available to help support state and local Meth Watch programs. In addition to the Kansas program, a number of additional states have taken the Kansas model and implemented their own Meth Watch programs, including the following.

Georgia
Iowa
Michigan

[Minnesota](#)
[Montana](#)
[North Dakota](#)
[Oregon](#)
[Tennessee](#)
[Texas](#)
[Virginia](#)
[Washington](#)

[back to top](#)

Meth Watch Program in United States



Source: ESRI Data & Maps CD
 Published by
 Kansas Department of Health and Environment
 Bureau of Environment Remediation - Meth Watch
 Information Systems - Geographic Data Services



Participation

Meth Watch program training or interest

Disclaimer:
 This map product is for informational purposes only and is not intended to constitute an offer of insurance. The map product is provided as a general information only and does not constitute an offer of insurance. The map product is provided as a general information only and does not constitute an offer of insurance. The map product is provided as a general information only and does not constitute an offer of insurance.

[Back to KDHE News Release Index](#)



SUSPICIOUS TRANSACTION REPORT

Methamphetamine manufactures can produce large quantities of methamphetamine by using legal, over-the-counter products located in your stores. Please fill out the following information, if you suspect someone involved in the illegal production of methamphetamine, and contact the Kansas Bureau of Investigation at 1-800-KS-CRIME and provide to the KBI the information that you have noted.

Business Name, Store Number and Store

Location: _____

Employee Name, Date and Time of Contact:

Security Photo/Photo Available Yes or No

SUSPECT INFORMATION: Height _____ Weight _____ Age _____ Race _____ Sex _____ Build _____

Hair Color _____ Hair Length _____ Facial Hair _____

Other

Information _____

FINANCIAL INFORMATION: Cash Payment _____ Receipt _____

Check

Payment _____ Name _____ Address _____

Credit Payment _____ Name _____ Card Name/Number _____

VEHICLE INFORMATION: Make _____ Model _____ Color _____ Vehicle Plate# _____ State _____

Other

Information _____

CHEMICAL PURCHASED: Pseudoephedrine _____ Heet _____ Lithium Batteries _____

Starting Fluid/Ether _____ Camping Fuel _____ Iodine _____ Matches _____ Acetone _____ Alcohol _____

Acid _____ Fuel Additives _____ Drain Cleaners _____ Coffee Filters _____

Other

Information: _____

KBI Headquarters
1620 SW Tyler
Topeka, Kansas 66612
785-296-8200 Fax 785-296-6781

KBI Regional Office
PO Box 3423
Wichita, Kansas 67201
316-337-6100 Fax 316-337-6099

KBI Regional Office
7700 West 63rd Suite 212
Overland Park, Kansas 66202
913-671-2040 Fax 316-671-2042

KBI Regional Office
625 Washington
Great Bend, Kansas 67530
316-792-4353 Fax 316-792-1850

Community Awareness

Public awareness is a key strategy in the fight against meth production and use. Law enforcement agencies across the country recognize the direct link between education of citizens and the capture of meth manufacturers.

Successful prevention programs start early, are comprehensive, and repeatedly stress key points. Effective prevention begins with an assessment of the specific nature of the meth problem within your local community and then adapting the program accordingly.

General prevention principles are outlined in the National Institute on Drug Abuse's research based booklet entitled, *Preventing Drug Use among Children and Adolescents*.

All public awareness initiatives should always be tailored to the target audience. For example, specific presentations have been created for home visitors such as child protective workers, utility workers, and cable operators as well as presentations customized for the community's first responders.

Some public awareness efforts implemented in Kansas and other states include:

- Mock meth labs created and utilized for presentation
- Educational information distributed at schools
- Facts about meth shown at movie theaters
- Meth Watch signs posted at city limits
- Neighborhood watch meeting to educate the community about meth
- Production of public service announcements
- Display boards for community events

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Other Elements to Meth Awareness

[Community awareness](#)

[Drug endangered
children](#)

[Rural crime prevention](#)

[Preventive strategies
for schools to use](#)

Meth Watch Materials

More Information

Meth Watch "members" can download these Meth Watch materials by [clicking here](#).

To find out how to become a member of the Meth Watch team, contact CHPA's [Elizabeth Assey](#).



Looking out
for our community



Brochure



Consumer Information Sheets



Shelf Tags



Door Decals

Register Decals



[back to top](#)



Spokane County

PROGRAM

Meth Watch Program

WHAT IS METH WATCH?

The Spokane County Meth Action Team and the Greater Spokane Substance Abuse Council (GSSAC) felt an urgent need to help curtail drug lab activity by making the theft or purchase of precursor ingredients more difficult. The Washington Meth Watch Program was modeled after a program designed by the Kansas Department of Health, Kansas Bureau of Investigation, and a team of Kansas retailers; they have generously shared their program with us.

If you have noticed the increase in theft or large quantity purchases of precursor products, your store is likely, and involuntarily, contributing to the deadly meth problem in Washington. Participation in Meth Watch aims to decrease theft and the likelihood of meth "cookers" viewing your store as a supplier in drug production. Since inception, it has grown from a core group of retailers using signage, educating employees, and reporting suspicious activity, to a broad membership of businesses linked together to prevent theft, fraud, and abuse in our community.

We encourage any business that sells precursors or experiences drug related theft, fraud, or abuse to become a member. Thank you to the businesses that have led this effort in Spokane County and been a model for Washington State.

Spokane County Initial Members:

Safeway, Yoke's Foods, Albertsons, Rosauers, Securitas Security Services, Inc., Tidymans, and Rite Aid.

LEAD AGENCIES:

- Spokane County Meth Action Team
- Spokane County Sheriff's Office
- Spokane Police Department

SUPPORTING AGENCIES:

- Spokane County SCOPE
- Spokane City COPS
- The Better Business Bureau of Eastern Washington, Northern Idaho, and Montana
- Comet Press

COORDINATED BY:

Greater Spokane Substance Abuse Council (GSSAC)
(509)922-8383
8104 E Sprague Ave
Spokane, WA 99212
Gssacpreventioncenter.com

INITIALLY FUNDED BY:

- Washington State Patrol
- Northwest High Intensity Drug Trafficking Area (HIDTA)
- WA State Meth Initiative

Meth prevention takes TEAMWORK!

WHAT ARE "PRECURSORS"?

Meth is made using readily available products obtained from retail, convenience, grocery, granges, automotive, and veterinary supply stores. Over-the-counter cold and allergy medications often contain ephedrine or pseudoephedrine, the most critical ingredient in the production of methamphetamine. The manufacturing process also uses ingredients such as lithium batteries, acetone, starter fluid, drain cleaner, rock or table salt, lye, matchbooks, rubbing alcohol, muriatic acid, and gasoline additives. As you can see, these items are available in many stores and most are probably found in your house or garage.

Anhydrous ammonia is another precursor commonly used in the meth process. It is usually stolen from tanks located on farms and ag dealer distribution facilities. Anhydrous ammonia is an extremely dangerous chemical, venting to a gas at -28° F. Thieves will commonly damage the valves or hose on the tanks, which can cause a life-threatening situation. If an unsuspecting employee or grower is unaware of the damage to the hose and opens the valve, escaping anhydrous could cause chemical and temperature burns and even result in fatal injury.

The availability of the products needed for producing meth contributes to the growing meth problem in our state. Because meth users become their own drug suppliers by becoming meth "cooks", the dangers associated with the labs themselves increase the urgency of a retailer assistance program.

WHAT ARE THE METH PRECURSORS & EQUIPMENT?

- Ephedrine or Pseudoephedrine (cold or allergy tablets)
- Matches
- Road Flares
- Starter Fluid/Ether
- Isopropyl or Rubbing Alcohol
- Rock or Table Salt
- Sodium Hydroxide/Lye
- Camping Fuel
- Sulfuric Acid (Drain cleaner)
- Acetone
- Gas Additives (Heat)
- Paint Thinner
- Iodine
- Toluene (Brake cleaner)
- MSM (Cutting agent)
- Muriatic Acid
- Anhydrous Ammonia
- Lithium Batteries
- Coffee Filters
- Aluminum Foil
- Assorted Glassware
- Propane Tanks
- Coolers
- Dry Ice



WHAT'S IN IT FOR MEMBERS?

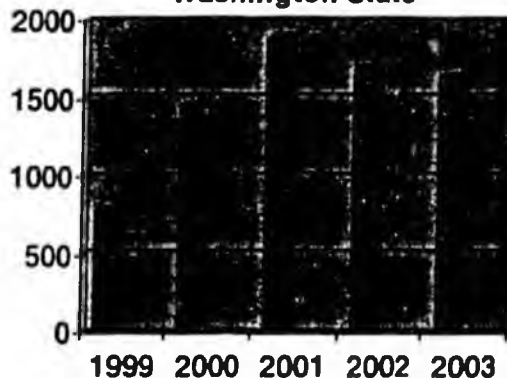
The most common question asked by a business considering signing up for the Washington Meth Watch Program is "How will my business benefit from participating in the Meth Watch Program?" The benefits to your store include a combination of social, economic, and safety factors such as:

SOCIAL: Most citizens of Washington are very concerned about the availability of drugs in their neighborhoods. Helping law enforcement fight the war on drugs provides community awareness for the business owner and their patrons. Membership also allows participants to connect with other retailers, businesses, financial institutions, and law enforcement through meetings, a monthly newsletter, and Email Tree.

ECONOMIC: One of the goals of Meth Watch is to limit the sale or theft of precursors for improper use. Precursors can be easily identified by shelf stickers under the products, which will deter cooks from approaching the products due to increased awareness of the illegal use of these products. The precursors not limited due to sale restrictions or product management will still be identified, making employees and customers another pair of eyes for your store. The increased awareness by business employees, patrons, and the meth "cooks" will hopefully reduce theft and large quantity purchases, as well as fraud and abuse.

SAFETY: Meth Watch Program participants believe that customers will feel safer in your store if you take a proactive approach to preventing improper purchases or theft of precursor items. Often meth "cooks" are on a drug-induced high and possibly feeling paranoid, or worse yet, are overly aggressive, making employee and customer safety an issue. Meth Watch hopes to capitalize on the paranoia and make the "cook" want to go elsewhere for the purchase or theft. Strong interaction with local law enforcement, by reporting suspicious activity, also helps provide that sense of safety. Meth Watch strongly supports and encourages the exchange of information with law enforcement officials.

Clandestine Drug Lab Cleanup
DOE - Spill Response
Washington State



Increased employee awareness of our state's meth problem will provide your establishment the resources to be a responsible steward and assist in the fight against crime and drugs. Your business will benefit from a more aggressive stance on clandestine drug labs in the state, in addition to the goodwill your involvement will produce in the community.

WHAT DOES THE METH WATCH PROGRAM INVOLVE?

What's next? You have decided that the Meth Watch Program could have a positive influence on your business and community - CONGRATULATIONS AND WELCOME TO THE TEAM! The Meth Watch Program has many options to choose from, with selection of options depending on the type of business, layout, manpower, etc. The main areas of the program include: employee training, signage, and suspicious activity reporting.

TRAINING POSTER: A training poster placed in employee break rooms will provide repeated exposure to the types of products that are commonly purchased or stolen by a meth "cook."

COMMUNITY AWARENESS PRESENTATION: Upon request, one hour presentations are available, which provide general information regarding meth use, production, prevention, treatment, child endangerment, etc.

SIGNAGE: The Meth Watch Program focuses on creating an awareness of why certain products, or a variety of products, are stolen or purchased in abnormally high quantities. **Window stickers** greet patrons at the door, identifying your participation in Meth Watch and raising their awareness. Placement of **shelf stickers** help store employees and the general public become more familiar with these products. Paranoid meth "cooks" will not want people watching them linger around these target products. **Cash register stickers** are placed at the checkout counter as a final reminder that this store is aware of the meth problem. The stickers also remind the checkout clerk to be on the lookout for suspicious purchases. The Washington Team members believe that the signage serves the dual purpose of putting criminals on notice and letting good customers know your store is taking steps to reduce the use and production of meth in your community through strong community partnerships and proactive involvement.

PRODUCT MANAGEMENT: Product management addresses the strategic placement of precursor products in areas that will help deter theft or suspicious purchases of large quantities. Customers will often question why the products are not readily available. In most cases, a brief explanation of Meth Watch by handing them an informational "tear-off" sheet will satisfy their questions and typically will result in their strong support for the program. Some strategic management practices include the following:

- **Limit the quantity of precursor products available on the shelf.** This should reduce the amount of theft or excessive purchases. Many stores already implement this policy. It may cause a higher frequency of restocking, but typically reduces the large rate of theft.
- **Limit the quantity of precursor products that may be purchased.** Limiting the purchase quantity means that a customer will only be able to purchase a certain amount of the product at the checkout counter.
- **Placement of precursor products near high traffic areas.** Placing products at the end of an aisle near the checkout counters, customer service, or a pharmacy helps deter theft. Thieves do not like to be observed stealing products, so they will be more likely to stay away from the high profile areas.
- **Provide surveillance on precursor product aisles.** Providing video surveillance of the products and informing the customer that the aisle is under surveillance is also a deterrent to theft.
- **Placement of product behind a service counter.** When precursor products are behind the counter in a pharmacy, customer service area, or cash register, the customer must ask for the product. Typically, a shelf tag is left on the main shelf area and includes product name, price, and barcode, and directs the customer to the service counter for purchase.

REPORTING SUSPICIOUS TRANSACTIONS: Meth "cooks" can be dangerous when they come to a facility for more ingredients or with the intent to commit a crime. Paranoia and aggressiveness caused by a drug-induced high can cause the "cook" to become angry if confronted about a theft or improper purchase. Meth Watch recommends that employees **do not** confront the suspect, but instead follow through with the transaction rather than putting themselves in danger. When the suspect leaves the store, the clerk or manager should complete a Suspicious Transaction Report and provide the information to local law enforcement as soon as possible. If surveillance footage is available, please note the date and time on the report. The statewide reporting number is **1-888-609-6384**. The Meth Watch program strongly encourages working closely with local law enforcement agencies to create a working relationship that can benefit your store and community.



Meth Watch Program Decals Available As:

- 4"x7" Window Stickers
- 2"x3" Stickers
- 8.5"x11" Outdoor Stickers



Meth Watch Customer Information Pads:

4"x5" tear-off sheets can be kept at each check out location to improve awareness and recognition that your business supports the fight against meth in their community.

**METHAMPHETAMINE/
CHPA METH WATCH PROGRAM****Background on methamphetamine:**

Communities across America plagued by the proliferation of methamphetamine are looking for effective and innovative ways to combat this emergent trend. The most significant problem for state and local law enforcement, especially in rural communities, is the manufacturing of methamphetamine in what have become known as small, home-made labs. These labs often use pseudoephedrine, a safe and effective ingredient found in many over-the-counter cough/cold products, in the illegal manufacture of methamphetamine. These labs have a devastating effect on the environment, communities, and the children who are often times present, and for these reasons are referred to as small toxic labs by law enforcement officials.

What is Meth Watch?

"Meth Watch" is a program designed to help curtail suspicious sales and theft of pseudoephedrine and other precursor products used in the illicit manufacturing of methamphetamine. Meth Watch was started in Kansas as a public-private partnership between the Kansas Department of Health and Environment, the Kansas Bureau of Investigation, the Kansas Methamphetamine Prevention Project (part of the non-profit statewide drug prevention system), and Kansas retailers. As news spread of its success, several states have begun to adopt the Kansas model, including Washington, Oregon, and South Dakota. Many more have expressed interest, but have been deterred by lack of resources and know-how.

How does Meth Watch work?

Meth Watch is a voluntary program that involves a variety of people at the community and state level, although retail involvement is the cornerstone of this program. Participating retailers place the precursor products where they can be easily monitored, and strategically post Meth Watch signs and tags on their doors and windows, around their cash registers and on the shelves where precursor products are located. They may impose purchase limits to prevent high volume sales. They train their employees to recognize, but not to confront, suspicious customers and to contact law enforcement with as much identifying information as possible.

Participants in the Meth Watch program report safer stores, better customer relations, increased employee awareness, and improved communications with law enforcement. In areas that have been hard hit by the meth scourge, Meth Watch partners are helping to unify their communities against drug abuse. The Meth Watch program in Kansas is a proven and replicable program which has significantly affected meth lab seizures.

How can individual states become involved?

The Consumer Healthcare Products Association (CHPA) has developed a uniform Meth Watch model that serves as an online resource center for interested states (www.methwatch.com). This site provides a one-stop shop to help states implement Meth Watch in their communities. CHPA will provide direct resources to states for the implementation of Meth Watch, including training, technical assistance, and retail support and education.

What does the future hold for Meth Watch?

Law enforcement officials and anti-drug abuse coalitions across the country are seeing a dramatic increase in meth abuse. As other states begin to benefit from the Meth Watch program, CHPA anticipates a greater need for funding a comprehensive methamphetamine prevention program and will join with those states most affected by this problem to call on Congress to authorize a permanent grant program for states that can demonstrate a need.

**Department of Health and Human Services
Substance Abuse and Mental Health Services Administration
Center for Substance Abuse Prevention**

**Drug Free Communities Support Mentoring Program
SP-06-004
(Initial Announcement)**

Catalogue of Federal Domestic Assistance (CFDA) No.: 93.276

Key Dates:

Application Deadline	May 12, 2006
Intergovernmental Review (E.O. 12372)	Letters from State Single Point of Contact (SPOC) are due no later than 60 days after application deadline.
Public Health System Impact Statement (PHSIS)/SSA Coordination	Applicants must send the PHSIS to appropriate State and local health agencies by application deadline. Comments from Single State Agency are due no later than 60 days after application deadline.

I. FUNDING OPPORTUNITY DESCRIPTION

1. INTRODUCTION

The Executive Office of the President, Office of National Drug Control Policy (ONDCP) and the Substance Abuse and Mental Health Services Administration (SAMHSA), Department of Health and Human Services (HHS) announce the availability of funds for new FY 2006 Drug Free Communities Support Mentoring Program (DFC Mentoring) grants.

The purpose of the DFC Mentoring Program is to provide grant funds to existing DFC grantees (mentors) to support development and/or expansion of new community coalitions (mentees) that are focused on substance abuse prevention.

The DFC Program, a collaborative initiative sponsored by ONDCP in partnership with SAMHSA, is designed to achieve two goals:

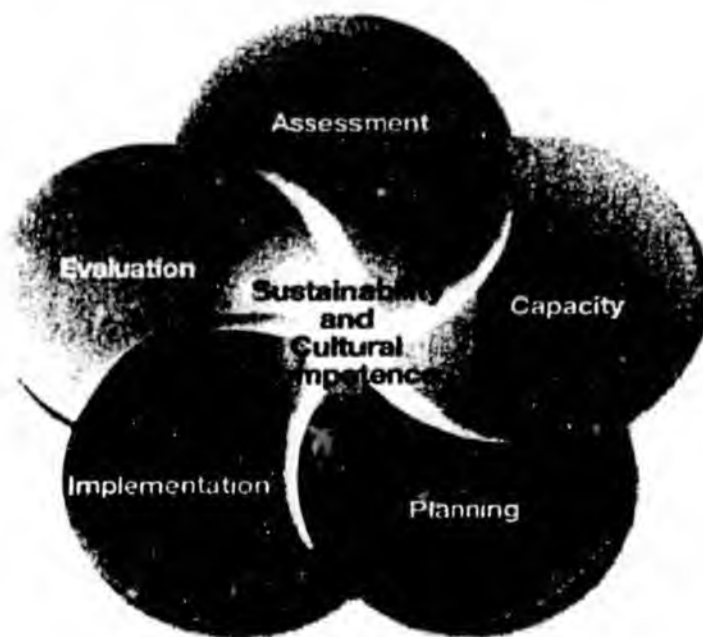
- Reduce substance abuse among youth and, over time, among adults by addressing the factors in a community that increase the risk of substance abuse and promoting the factors that minimize the risk of substance abuse. Substances include, but are not limited to, narcotics, depressants, stimulants, hallucinogens, cannabis, inhalants, alcohol and tobacco, where their use is prohibited by Federal, State, or local law. DFC grants must focus on multiple drugs of abuse. When the term "drug" or "substance" is used in this announcement, it is intended to include all of the above substances.
- Establish and strengthen collaboration among communities, private nonprofit agencies, and Federal, State, local and tribal governments to support the efforts of community coalitions to prevent and reduce substance abuse among youth.

Congress signed the Drug-Free Communities Act (P.L. 105-20) into law on June 27, 1997. The Act provides financial assistance and support to community coalitions to carry out the mission of reducing substance abuse among the nation's youth. On December 14, 2001, P.L. 107-82, 115 Stat. 814 (2001), reauthorized the program for 5 years.

The community sites that have been awarded DFC grants represent a cross-section from every region in the nation and include rural, urban, suburban, and tribal communities. In FY 2005, 24 new DFC mentoring grants and 13 mentoring continuation grants were awarded. More information can be found on the DFC web site (www.dfc.samhsa.gov).

2. EXPECTATIONS

2.1 Strategic Prevention Framework Requirement



DFC grantee coalitions must use the Strategic Prevention Framework (SPF), a 5 step evidence-based process for community planning and decision-making. The 5 step process includes: 1) needs assessment (profile community needs); 2) capacity building (mobilize/build capacity to address community needs); 3) planning (develop a comprehensive strategic plan); 4) implementation (implement the plan with multiple interventions demonstrated to be effective); and 5) evaluation (monitor, sustain, improve or replace prevention interventions).

2.2 Data and Performance Measurements Requirements

The Government Performance and Results Act of 1993 (P.L. 103-62, or "GPRA") requires all Federal agencies to set program performance targets and report annually on the degree to which the previous year's targets were met. The national DFC Mentoring Program GPRA measures are to:

- Increase the percent of mentored coalitions that have developed baseline measures of drug use and related substance abuse problems for the following:
 - age of onset of any drug use including alcohol, marijuana, and tobacco
 - past 30 day use among youth including alcohol, marijuana, and tobacco
 - perception of risk or harm of alcohol, marijuana, and tobacco use among youth
 - perception of parental disapproval of use by youth including alcohol, marijuana, and tobacco
- Increase the percent of mentored coalitions that have developed a comprehensive substance abuse prevention strategic plan or updated a previous plan.
- Increase the percent of mentored coalitions that have a strategic plan that reflects the use of environmental strategies to reduce youth drug use.

- Increase the percentage of mentored coalitions that use the Strategic Prevention Framework in their planning process

2.3 National DFC Cross-Site Evaluation

DFC Mentoring Coalition applicants must agree to participate in the National Cross-Site Evaluation that consists of two progress reports and an annual report.

II. AWARD INFORMATION

1. AWARD AMOUNT

Approximately \$1.2 million will be available for 15 new DFC Mentoring Grant Awards in FY 2006. Applicants may request up to \$75,000. New mentor applicants may request project periods of up to 2 years. Annual continuation awards will depend on availability of funds, grantee progress in meeting project goals and objectives, and grant terms and conditions.

2. FUNDING MECHANISM

DFC Mentoring Program awards will be made as grants.

III. ELIGIBILITY REQUIREMENTS

1. ELIGIBLE APPLICANTS

DFC Mentoring Applicants must meet the following eligibility criteria or the application will not be forwarded for review. The coalition:

- Must have been in existence for at least 5 years.
- Must be a current DFC New or Continuation grantee.
- Must have achieved, through its own efforts, measurable results in the prevention of substance abuse among youth.
- Must have staff, volunteers, or members willing to serve as mentors for persons seeking to start or expand the activities of other coalitions in the prevention of substance abuse.
- The coalition must have demonstrable support from the coalition to be mentored and from key sectors of the community(ies) where the coalition will carry out the specific mentoring activities supported by the grant. The key sectors are:
 - youth (an individual 18 or under)
 - parents
 - business community
 - media

- school
- youth-serving organizations
- law enforcement agencies
- religious or fraternal organizations
- civic and volunteer groups
- healthcare professionals
- State, local, or tribal governmental agencies with expertise in the field of substance abuse (if applicable, the State authority with primary authority for substance abuse)
- other organizations involved in reducing substance abuse

SAMHSA and ONDCP will consider the information provided in the applicant's project narrative and supporting documentation in order to determine whether or not an individual applicant meets the above criteria.

2. COST SHARING

DFC Mentoring Program grantees must demonstrate they have matching funds from other, non-Federal sources on a dollar-for-dollar basis. Awards will not be made to applicants who do not meet the match requirements. New and/or continuation DFC funds may not be used to meet the matching requirements for mentoring applicants. Applicants must itemize the match separately in the budget justification. A sample budget and budget justification is provided in Attachment 1 of this RFA.

In-kind support may be used for the match requirement. In-kind support includes the value of goods and services donated to the operations of the coalition. Typical examples include donated office space, volunteer secretarial services, pro bono accounting services, or other personnel serving in a voluntary capacity.

Federal funds, including those passed through a State or local government cannot be used as a match. The exception is for funds appropriated for the substance abuse services of a coalition that includes a representative of the Bureau of Indian Affairs, Indian Health Service, or a tribal government agency with expertise in the field of substance abuse may be counted as non-Federal funds raised by the coalition.

3. Other

Applicants must use Application Form PHS 5161-1 or their applications will not be reviewed. Applicants must also adhere to certain submission and formatting requirements provided in Section IV and Attachment 2 of this announcement, or their applications will not be reviewed.

IV. APPLICATION AND SUBMISSION REQUIREMENTS

1. Address to Request Application Package

You may request a complete application kit from SAMHSA's National Clearinghouse for Alcohol and Drug Information (NCADI) at 1-800-729-6686 (TDD 800-487-4889). You also may download the required documents from the SAMHSA web site at www.samhsa.gov/grants/index.aspx. Additional materials available on this web site include:

- a technical assistance manual for potential applicants;
- standard terms and conditions for SAMHSA grants;
- guidelines and policies that relate to SAMHSA grants (e.g., guidelines on cultural competence, consumer and family participation, and evaluation); and
- enhanced instructions for completing the PHS 5161-1 application.

When submitting an application, be sure to type "SP-06-004, "Drug-Free Communities Support Mentoring Program" in Item Number 10 on the face page of the application form. Also, SAMHSA applicants are to provide a DUNS Number on the face page of the application. To obtain a DUNS Number, access the Dun and Bradstreet web site at www.dunandbradstreet.com or call 1-866-705-5711.

2. Content and Form of Application Submission: Information including required documents, required application components, and application formatting requirements is available in Attachment 2 of this RFA.

Applicants are required to complete the Assurance of Compliance with SAMHSA Charitable Choice Statutes and Regulations, Form SMA 170. This form will be posted on SAMHSA's website with this Request for Applications (RFA) and provided in the application kits available at NCADI. **Applicants should note that failure to comply with certain application formatting requirements in Attachment 2 will result in their application being screened out and not reviewed.**

3. Submission Dates and Times: Applications must be received by May 12, 2006. You will be notified by postal mail that your application has been received. Additional submission information is available in Attachment 2 of this RFA. **Applications that are not received by the application deadline, or that do not have proof of timely submission as described in Attachment 2 of this RFA, will be screened out and will not be reviewed.**

4. Intergovernmental Review: Applications for this funding opportunity must comply with Executive Order 12372 (E.O.12372). E.O.12372, as implemented through Department of Health and Human Services (DHHS) regulation at 45 CFR Part 100, sets up a system for State and local review of applications for Federal financial assistance. Instructions for complying with E.O.12372 are provided in Attachment 2 of this RFA. A current listing of State Single Points of Contact (SPOCs) is included in the application kit and is available at www.whitehouse.gov/omb/grants/spoc.html.

5. Funding Restrictions: Grantees in the DFC Mentoring Program must adhere to funding restrictions listed in Attachment 2.

V. APPLICATION REVIEW INFORMATION

1. EVALUATION CRITERIA

Your application will be reviewed and scored according to the quality of your response to the requirements listed in Section V, Evaluation Criteria.

In developing the Project Narrative section of your application, use the following instructions instead of the "Program Narrative" instructions found in the PHS 5161-1. The Project Narrative should be no more than 20 pages.

You should answer every question in each category of the Project Narrative below and provide a narrative response with the question shown directly above each response. Each question has points associated with it and reviewers will judge your response to each question and apply a point value. Peer reviewed applications will receive a score between 0 and 100. The number of points after each heading below is the maximum number of points a review committee may assign to that section of your Project Narrative.

Reviewers will be looking for evidence of cultural competence throughout the application. SAMHSA's guidelines for cultural competence can be found on the SAMHSA web site at www.samhsa.gov. Click on "Grants".

The Project Narrative requirements for the DFC Mentoring Program B-F are organized around the five steps of the Strategic Prevention Framework: 1) community assessment; 2) capacity building; 3) project planning; 4) implementation; 5) evaluation.

The Supporting Documentation provided in Sections G-I will also be considered by reviewers.

Section A: General Questions (6 points)

1. Why does the mentor coalition want to mentor? (2 points)
2. What are the benefits of mentoring for the mentor community/ coalition and its prevention agenda? (2 points)
3. How was the mentee community or communities selected? (2 points)

Section B: Community Assessment (16 points)

1. Describe the community or communities that will receive the mentoring assistance. In the description, include basic demographic and socioeconomic information, pertinent data describing drug use problems among youth, and a summary of existing key risk and protective factors relating to drug use. (3 points)
2. How is the mentoring community similar to the community/communities to receive mentoring assistance demographically and in the drug use issues they are trying to solve? (3 points)
3. What is the mentoring coalition's experience with collecting and analyzing community needs and resource assessment data (both quantitative data such as surveys, social indicator data from health departments, criminal justice, etc. and qualitative data such as focus groups, key informant interviews, community forums, etc.)? (4 points)
4. What is the level of community awareness in the mentee community regarding the drug problem? (2 points)
5. How will the mentor community assist the mentee community/communities in conducting, enhancing or updating a comprehensive community needs and resources assessment? (4 points)

Section C: Capacity Building (24 points)

1. Describe previous efforts of the mentor coalition to develop and mentor community anti-drug coalitions. (2 points)
2. Highlight the last five years of the mentor coalition's work, discussing briefly the specific nature and history of the mentoring coalition's most successful strategies, as well as skill sets and capabilities that will be diffused to the mentee coalition(s). (4 points)
3. Describe how the mentor coalition's successful strategies and related assets will be of benefit to the mentee coalition(s) and how they will be used in the mentoring relationship. Specifically, discuss how these strategies/assets will be used to assist the mentee coalition(s) in addressing the five steps of the Strategic Prevention Framework. (3 points)
4. What are the measurable results achieved by the mentor coalition? How do these results relate to the results that the mentee coalition(s) are seeking to achieve? (4 points)
5. Describe the mentor coalition members' and volunteers' commitment to the mentor project. How will the mentor coalition use members from various sectors to recruit, train, and advance the mentee community's prevention work? (3 points)

6. What is the mentee coalition(s) current capacity for developing and/or strengthening as a community anti-drug coalition? Describe any previous or current efforts of the mentee community to develop a community coalition. Does the mentee coalition have an operational structure in place (i.e. bylaws, committee structure, mission statement, etc.)? (4 points)
7. What sectors are currently members of the mentee coalition? What is the plan to recruit additional members? (2 points)
8. What is the mentor coalition's assessment of the mentee coalition's current training needs? (2 points)

Section D: Project Planning (19 points)

1. What is the process that the mentor coalition will use to help the mentee use key assessment findings to create a community prevention plan that addresses the two goals of the DFC program? (3 points)
2. How will the mentor coalition assist the mentee in creating a community prevention plan that: (6 points)
 - a. Enlists the support of multiple sectors of the community to address the prevention needs and priorities of the mentee community and coalition
 - b. Includes multiple strategies to address the drug problems of youth
 - c. Is community focused (A community coalition must focus on changing the full environment by identifying and implementing strategies that will affect community attitudes, perceptions, norms, and beliefs around alcohol and other drugs.)
3. Does the mentor coalition have a long term sustainability plan in place? If so, briefly describe. How does the mentor coalition plan to foster sustainability in the mentee coalition? (3 points)
4. Provide a realistic time line for the project (chart or graph) showing goals, objectives, key activities, milestones and responsible staff. Include a detailed time line for year 1 of the project, focusing on major milestones/activities. (7 points)

Section E: Implementation (18 points)

1. Are there specific resources (e.g. materials, facilities, equipment, etc.) necessary for the implementation of this project? If so, what are they and are these items reflected in your budget? Be sure to reflect this amount in your budget justification. (3 points)
2. Provide a list of individuals (staff and coalition members/volunteers) from the mentor coalition who will participate in the project, showing the role of each and their level of effort and qualifications. Include the project director and other key personnel. (3 points)

3. Provide a list of individuals (staff and coalition members/volunteers) from the mentee coalition who will participate in the project, showing the role of each, their level of effort and their qualifications. Include the project director and other key personnel. (3 points)
4. How will the responsibility for implementing the strategic plan be diffused among mentor coalition members and/or other community partners? (3 points)
5. How will the responsibility for implementing the strategic plan be diffused among mentee coalition members and/or other community partners? (3 points)
6. How will you monitor the implementation of your strategic plan as things change? For example, what specific milestones or key events will the leaders of the coalition use to monitor the success of the implementation of the plan? (3 points)

Section F: Evaluation (17 points).

1. Describe the capability and experience of the mentor coalition in data collection and/or how the mentor coalition has created partnerships in order to collect, analyze, and report data and conduct evaluation activities. (3 points)
2. What past or current experience does the mentee community have in collecting, analyzing and/or reporting evaluation data? (2 points)
3. What outcome measures will be used to measure the progress in addressing the goals and objectives of the proposed DFC mentoring project? (3 points)
4. Describe the current ability of the mentee community to collect and report on the DFC four core measures (age of onset of any drug use including alcohol, marijuana, and tobacco; past 30 day use among youth including alcohol, marijuana, and tobacco; perception of risk or harm of alcohol, marijuana, and tobacco use among youth; and perception of parental disapproval of use by youth including alcohol, marijuana, and tobacco). How will the mentor coalition help the mentee coalition to develop baseline measures of drug use and related substance abuse problems for the DFC four core measures? (3 points)
5. Describe how data collected from the evaluation will influence the overall direction of the DFC Mentoring Project for the mentor and mentee. (3 points)
6. How will evaluation results be communicated to the mentee coalition's community? (2 points)
7. How will the effectiveness of the mentor/mentee relationship be assessed? (1 point)

Supporting Documentation - The following Supporting Documentation, Sections G-J, must be listed as an attachment and labeled "Supporting Documentation, Section G-J."

Section G: Budget and Budget Justification, Existing Resources, Other Support - In Section G, applicants should provide a narrative justification of the items included in the proposed budget, as well as a description of existing resources and other support that the coalition expects to receive for the proposed budget.

Section H: Program Abstract - In Section H, provide a program abstract that is no more than 35 lines. See Attachment 3 for a sample abstract.

Section I: Project Information Summary - Provide the following data/information in Section I. This information should reflect your responses to Section V, Project Narrative: Mentor.

- Name of applicant (fiscal agent);
- Mailing address of applicant (fiscal agent), including zip code;
- Official authorized to accept funds on behalf of the coalition (include phone number, fax number, and email address);
- Name of the mentor coalition (if different from fiscal agent);
- Mailing address of mentor coalition (if different from fiscal agent), including zip code;
- Physical address of mentor coalition (if different from mailing address);
- Date the mentor coalition was established;
- Project director (include phone number, fax number and e-mail address).
- Coalition board chair/president (include phone number and e-mail address).
- Amount of FY 2005 funds requested;
- Congressional district(s) served by the coalition;

Coalition Being Mentored (mentee)- Please provide the following information for each coalition being mentored.

- Name of the coalition;
- Mailing address for the coalition;
- Date coalition was established;
- Congressional district(s) served by the coalition;
- Project director (include phone number, fax number and e-mail address);
- Coalition board chair/president (include phone number and e-mail address);
- Population of target area;
- Geographic boundaries served by the coalition (e.g. city, neighborhood, school district, etc.);
- Population ethnicity of the geographic area served by the coalition (e.g. tribal);
- Geographic type (i.e., urban, suburban, rural, mixed). Select one based on the following definitions:
 - *Rural* - A rural area is defined as a county with a population of no more than 30,000. If rural, please identify the county(ies) served by the coalition.
 - *Suburban* - A suburban area is defined as (a) urban fringe of a large city - any incorporated place, a Census-designated place (CDP), or non-place territory within a consolidated metropolitan statistical area (CMSA) or metropolitan statistical area (MSA) of a large city and defined as urban by the U.S. Bureau of the Census; or (b)

urban fringe of a midsize city – any incorporated place CDP, or non-place within a CMSA or MSA of a midsize central city and defined as urban by the U.S. Bureau of the Census.

- *Urban* – An urban area is defined as (a) large city – a central city of a MSA or CMSA with a population of at least 250,000; or (b) midsize city – central city of an MSA or CMSA with a population of less than 250,000.
- Indicate whether the coalition serves an area that is economically disadvantaged (i.e., 20% or more of the children [under 18 years of age] living in the target area live in a household below the poverty line, as defined by the U.S. Census Bureau)
- Identify all present federal and state funding streams that are coordinated with or related to the coalition's efforts. (These would include involvement with officially recognized OJP Weed & Seed sites, drug courts, Enforcing Underage Drinking Laws Program, the Center for Substance Abuse Prevention's State Incentive sub grants, and U.S. Department of Education's Safe and Drug-Free Schools sites, among others.) Indicate status of funding.

Section J: Mentee & Mentor Memorandums of Understanding and Supporting Documents– Please provide letters of understanding or agreements between the mentor and mentee(s) and key sectors in the community covering the project period. The MOU should address the scope of the work and expectations from each entity.

2. REVIEW AND SELECTION PROCESS

ONDCP and SAMHSA are committed to ensuring a competitive and standardized process for awarding DFCSF grants. Applications will be screened initially by ONDCP to determine whether the coalition meets all the eligibility requirements. Only applications submitted by eligible coalitions that meet all other requirements will be evaluated, scored, and rated by a peer review panel according to the selection criteria described in Section V of this announcement. All applications that proceed to peer-review will be rated on a 100-point scale. Point values for individual elements of the application are presented in the project narrative section. Peer reviewers' ratings and any resulting recommendations are advisory only. All final grant award decisions will be made by the Director of ONDCP. ONDCP may also give consideration to other factors when making awards.

VI. AWARD ADMINISTRATION INFORMATION

1. AWARD NOTICES

After your application has been reviewed, you will receive a letter from SAMHSA through postal mail that describes the general results of the review.

If you are approved for funding, you will receive an **additional** notice, the Notice of Grant Award, signed by SAMHSA's Grants Management Officer. The Notice of Grant Award is the sole obligating document that allows the grantee to receive Federal funding for work on the grant project. It is sent by postal mail and is addressed to the contact person listed on the face page of the application.

If you are not funded, you can re-apply if there is another receipt date for the program.

2. ADMINISTRATIVE AND NATIONAL POLICY REQUIREMENTS

- You must comply with all terms and conditions of the grant award. SAMHSA's standard terms and conditions are available on the SAMHSA web site at: www.samhsa.gov/grants/generalinfo/useful_info.aspx.
- You must also comply with the administrative requirements outlined in 45 CFR Part 74 or 45 CFR Part 92, as appropriate. For more information see the SAMHSA web site (http://www.samhsa.gov/Grants/generalinfo/grant_reqs.aspx).
- Additional terms and conditions may be negotiated with the grantee prior to grant award. These may include:
 - requirements relating to additional data collection and reporting;
 - requirements relating to participation in a cross-site evaluation; or
 - requirements addressing problems identified in review of the application.
- You will be held accountable for the information provided in the application relating to performance targets. SAMHSA program officials will consider your progress in meeting goals and objectives, as well as your failures and strategies for overcoming them, when making an annual recommendation to continue the grant and the amount of any continuation award. Failure to meet stated goals and objectives may result in suspension or termination of the grant award, or in reduction or withholding of continuation awards.
- In an effort to improve access to funding opportunities for applicants, SAMHSA is participating in the U.S. Department of Health and Human Services "Survey on Ensuring Equal Opportunity for Applicants." This survey is included in the application kit for SAMHSA grants. Applicants are encouraged to complete the survey and return it, using the instructions provided on the survey form. However, your decision to/not to complete this survey will not have any bearing on the evaluation of your application for funding.

3. REPORTING REQUIREMENTS

3.1 Progress and Financial Reports

- Grantees must provide two program progress reports and an annual report each year and financial reports.
 - SF 269 – Financial Status Report is due 90 days after the end of the budget period.
 - PSC 272 – Federal Cash Transaction Report is due 45 days after the end of the quarter.

- SAMHSA will provide guidelines and requirements for these reports to grantees at the time of award. SAMHSA staff will use the information contained in the reports to determine the grantee's progress toward meeting its goals.

3.2 Publications

Applicants funded under this grant program, are required to notify the Government Project Officer (GPO) and SAMHSA's Publications Clearance Officer (240-276-2130) of any materials based on the SAMHSA-funded project that are accepted for publication.

In addition, SAMHSA requests that grantees:

- Provide the GPO and SAMHSA Publications Clearance Officer with advance copies of publications.
- Include acknowledgment of the Drug-Free Communities Support Program as the source of funding for the project.
- Include a disclaimer stating that the views and opinions contained in the publication do not necessarily reflect those of SAMHSA, the U.S. Department of Health and Human Services or the Office of National Drug Control Policy, and should not be construed as such.

SAMHSA and ONDCP reserve the right to issue a press release about any publication deemed by SAMHSA or ONDCP to contain information of program or policy significance to the substance abuse treatment/substance abuse prevention/mental health services community.

VII. AGENCY CONTACTS

For questions regarding program issues, contact:

Richard Moore, Branch Chief
Center for Substance Abuse Prevention
Substance Abuse and Mental Health Services Administration
1 Choke Cherry Rd., 4th Floor
Rockville, MD 20857
240-276- 1270
Dfcnew2006@samhsa.hhs.gov

For questions on grants management issues, contact:

Kimberly Pendleton
Office of Program Services, Division of Grants Management
Substance Abuse and Mental Health Services Administration
1 Choke Cherry Road
Room 7-1097
Rockville, Maryland 20857

(240) 276-1421

kimberly.pendleton@samhsa.hhs.gov

109TH CONGRESS

Report

HOUSE OF REPRESENTATIVES

1st Session

109-333

--USA PATRIOT IMPROVEMENT AND REAUTHORIZATION ACT OF 2005

PART II--CONFRONTING USE OF METHAMPHETAMINE

SEC. 2996. AUTHORITY TO MAKE GRANTS TO ADDRESS PUBLIC SAFETY AND METHAMPHETAMINE MANUFACTURING, SALE, AND USE IN HOT SPOTS.

(a) Purpose and Program Authority-

(1) PURPOSE- It is the purpose of this part to assist States--

(A) to carry out programs to address the manufacture, sale, and use of methamphetamine drugs; and

(B) to improve the ability of State and local government institutions of to carry out such programs.

(2) GRANT AUTHORIZATION- The Attorney General, through the Bureau of Justice Assistance in the Office of Justice Programs may make grants to States to address the manufacture, sale, and use of methamphetamine to enhance public safety.

(3) GRANT PROJECTS TO ADDRESS METHAMPHETAMINE MANUFACTURE SALE AND USE- Grants made under subsection (a) may be used for programs, projects, and other activities to--

(A) investigate, arrest and prosecute individuals violating laws related to the use, manufacture, or sale of methamphetamine;

(B) reimburse the Drug Enforcement Administration for expenses related to the cleanup of methamphetamine clandestine labs;

(C) support State and local health department and environmental agency services deployed to address methamphetamine; and

(D) procure equipment, technology, or support systems, or pay for resources, if the applicant for such a grant demonstrates to the satisfaction of the Attorney General that expenditures for such purposes would result in the reduction in the use, sale, and manufacture of methamphetamine.

SEC. 2997. FUNDING.

There are authorized to be appropriated to carry out this part \$99,000,000 for each fiscal year 2006, 2007, 2008, 2009, and 2010.'