

12218

HOUSE

L&C

AMENDMENT

#1

OFFERED IN LABOR & COMMERCE

BY REPRESENTATIVE:

TO: HB 228 Version 25-LS0773E

Page 2, line 3,

Delete: "for the Anchorage metropolitan area"

The Meeting of the House Labor and Commerce Committee will come to order at 3:-- pm.

Today is April 16th, 2007.

Members present are

**Rep. Buch
Rep. Gardner
Rep. Gatto
Rep. LeDoux
Rep. Neuman
Rep. Ramras
Rep Olson**

The bills on today's agenda are HB 228 Worker's Comp Medical Treatment Fees and HB 65 Personal Information and Consumer Credit.

First up will be HB 228. Derek Miller from Rep. Kelly's office will present the bill.

(on-line testimony, in-house testimony, close testimony, discussion)
If you intend to move it out:

The chair will entertain a motion to move HB 228 from committee.

Next up is HB 65 (you will need a motion to adopt the CS) Rep. Coghill will explain the changes in the CS.

(I don't think this bill is in any condition to move yet, but it is up to you)

ASHNHA Position on CSHB 228 - Worker Compensation Act Dealing with Fees to Providers

Prepared by: Rod Betit, President/CEO // April 13, 2007

Who Does ASHNHA Represent?

The *Alaska State Hospital and Nursing Home Association* membership includes 24 acute care hospitals, 2 behavioral health facilities, 6 assisted living facilities (Alaska Pioneer Homes), and 5 free-standing nursing facilities. Nine of our 24 acute care hospitals also provide nursing home services. We believe ASHNHA's rich composition of private, federal, state, and tribal health care facilities provides a balanced viewpoint on important health care policy matters. ASHNHA's membership authorized the position expressed in this testimony.

ASHNHA STRONGLY SUPPORTS CSHB 228:

ASHNHA members' strong support for CSHB 228 stems from their unique dual role as both providers and employers within their communities. Alaska's employers will experience a major increase in workers compensation premiums unless action is taken to modify and extend the provider rate freeze implemented under SB 130 during the 2005 legislative session. Legislation is needed because the Administration had indicated they cannot extend this freeze by administrative regulation.

In 2005, ASHNHA agreed to compromise legislation that froze medical payments for two years pending review of the underlying reasons for premium increases, including both medical costs and general program design problems. This review was to be done jointly by a special Worker's Compensation Legislative Taskforce working in concert with the Department of Labor & Workforce Development's Medical Review Committee.

The rate freeze enacted by SB 130 is scheduled for sunset in 2007 yet the Legislative Taskforce did not complete its work before its authority expired earlier this year, in part because the medical cost analysis has not been provided by insurers. Allowing the rate freeze to sunset without adopting well thought out permanent reform to take its place will lead to severe financial losses by workers compensation insurers and ultimately significant increases in employer premiums. This will impact small and medium employers most dramatically as most large employers are self-insured.

Passage of CSHB228 will extend the sunset date for the rate freeze along with a modest fee adjustment based on the medical CPI to give time for comprehensive reform recommendations to be developed and presented to the Legislature.

ASHNHA members urge your support of CSHB 228 and passage from this Committee.

This Testimony is on Behalf of the Following Alaska Health Care Facilities

Alaska Regional Hospital, Alaska Native Medical Center, Alaska Pioneer Home System, Bartlett Regional Hospital, Bassett Army Community Hospital, Central Peninsula General Hospital, Cordova Community Medical Center, Denali Center Nursing Home, Fairbanks Memorial Hospital, Heritage Place Nursing Home, Kakanak General Hospital, Ketchikan General Hospital, Maniilaq Health Center, Mary Conrad Center, Mat-Su Regional Hospital, Mt. Edgecumbe Hospital SEARHC, Norton Sound Regional Hospital, Petersburg Medical Center, Providence Alaska Medical Center, Providence Extended Care Center, Providence Kodiak Island Medical Center, Providence Seward Medical & Care Center, Providence Valdez Medical Center, Sitka Community Hospital, South Peninsula Hospital, St. Elias Specialty Hospital, USAF 3rd Medical Group- Elmendorf, Wrangell Medical Center, Yukon Kuskokwim Delta Regional Hospital, Alaska Psychiatric Institute, North Star Behavioral Health System, Wildflower Court Nursing Home.

Alaska State Medical Association

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April 13, 2007

Honorable Kurt Olson
State Capitol, Room 408
Juneau, AK 99801

Transmitted by Fax: 907-465-3835

RE: HB228 – Workers Compensation Fee Schedule

Dear Representative Olson:

The Alaska State Medical Association (ASMA) represents physicians statewide and is primarily concerned with the health of all Alaskans.

First, ASMA must state that these comments pertaining to HB228 represent what its leadership's best guess is as to the reaction of its members. ASMA is not and can not be a "union" binding its individual members to anything.

ASMA has been involved with the efforts to examine the workers compensation system and to work towards appropriate and meaningful change. ASMA is represented on the Medical Services Review Committee (MSRC) and was represented on the Workers Compensation Task Force. All along the physician community has held that good data is necessary to conduct a meaningful review and study of the medical care component of the workers compensation system. ASMA believes that all stakeholders in the system agreed to that necessity. This request for data began in the Fall of 2004.

SB130 was enacted in 2005 which provided for a "freeze" in the payment schedule for all medical care providers at the schedule set on December 1, 2004. (It is ASMA's understanding that this fee schedule was established using claims data with the most recent data coming from 2003). The "freeze" ends on August 1, 2007.

It is ASMA's contention that its members acceded to this "freeze" on the belief that meaningful data would be provided in time to conduct a thorough review before its expiration. The data was to include claims data for a period of 5 years – first broken down by provider type (e.g. hospital, physician, physical therapist, chiropractor, etc); and secondarily broken down by CPT code for the physician claims. Finally, a "data call" was instituted by the State Division of Insurance in early December, 2006. The data was to be collected by the National Council on Compensation Insurance (NCCI) and provided in June 2007. ASMA recently learned that this data will not be provided until late 2007. ASMA expects that this circumstance will not be favorably viewed by its members.


It must be pointed out that it is ASMA's understanding that physicians do not have a different fee schedule for injured workers than for other patients. Their practice overhead expenses continue to increase just like any other employer, yet they have gone along with the "freeze".

ASMA expects that the increase in the payment schedule proposed in HB228 will be appreciated by the physician community. But, again that schedule is set for 20 months (8/1/07 - 3/31/09). ASMA believes that its membership will skeptically view this new freeze. An amendment to tie in the provision of meaningful data could be expected to ameliorate some of the building skepticism. One possibility would be to mandate the yearly reporting of data to the MSRC along with a clear mandate for the Department of Labor to establish the appropriate fee schedules by regulation to be effective on a calendar year basis.

The system used prior to the current freeze set the fee schedule on a "Usual, Customary, and Reasonable" basis using the 90th percentile as the cut-off point. It is ASMA's understanding that this was based on workers compensation claims data. The new approaches seem to be moving toward a governmentally set fee. ASMA expects that many of its members will find this objectionable. One only needs to look to the access to care problems involving Medicare beneficiaries and the federal workers compensation system.

ASMA urges you to not take action that will adversely impact an injured worker's access to care.

Sincerely,



By: Roland Gower, MD, President
For: The Alaska State Medical Association

Alaska State Legislature

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House Finance Committee
Legislative Budget & Audit

Representative Mike Kelly

House District 7

Sponsor Statement

HB 228

In 2005 the Alaska Legislature passed SB 130 which was a rework of the Workers Compensation statutes. As part of this rework, medical payments were frozen at the 2004 fee schedule so that a review could be done of the underlying reasons for premium increases. This review was to be jointly done by a special Workers Compensation Legislative Taskforce in concert with the Department of Labor & Workforce Development Medical Review Committee. Two important tasks of the committee were to look at program design problems and to study the underlying reasons for medical cost increases experienced in the program. Following this, the taskforce was to develop recommendations to moderate program increases in the future. As part of the conditions of the medical rate freeze, the Taskforce was to have completed their review by February of 2006 and the rate freeze would sunset in August of 2007 (to be replaced by a new fee schedule).

The Taskforce did not complete its report by February of last year and we are facing the sunset of the medical rate freeze in August of this year. There is not yet a plan for the post rate freeze sunset period and that is why this legislation was introduced.

Under HB 228, the medical rate freeze would be extended two years to allow time for recommendations to be developed. It implements an annual rate increase based on the CPI index. This extension of the freeze should allow time for the insurance companies to compile and submit their analysis and recommendations after reviewing care costs for injured workers so that the Legislature can address the underlying reasons for premium increases.

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Member

House Finance Committee
Legislative Budget & Audit

Representative Mike Kelly

House District 7

MEMORANDUM

DATE: April 10, 2007
TO: Representative Mike Kelly
FROM: Derek Miller
RE: Sectional Analysis for HB 228
(Version No. 25-LS0773\E)

A sectional summary of a bill should not be considered an authoritative interpretation of the bill. 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. Specifies that fees and other charges for medical treatment or service provided before August 1, 2007 do not exceed the fees in the fee schedule specified by the Workers' Compensation Board in its published bulletin dated December 1, 2004. Specifies that fees and other charges for medical treatment or service provided after August 1, 2007, but before March 31, 2009 is the percentage change between 2004 and 2006 in the medical care component of the Consumer Price Index for the Anchorage metropolitan area.

Section 2. Repeals AS 23.30.097(a)(1), specifying fees and other charges for medical treatment or service may not exceed the fees in the fee schedule specified by the Workers' Compensation Board in its published bulletin dated December 1, 2004.

Section 3. Allows the Department of Labor and Workforce Development to adopt regulations necessary to implement this act.

Section 4. Section 3 of this act takes effect immediately.

Section 5. Section 1 and 2 of this act take effect July 31, 2007.

	between the pharmacy, patient, and third party payer, if applicable.		
Nonprescription drugs and medical supplies	All nonprescription medicines, vitamins, dressings, equipment, and supplies.	1,384	.428
Internal and respiratory over-the-counter drugs	Nonprescription medicines taken by swallowing, inhaling, and as suppositories and enemas (i.e. aspirin, cough medicine, and vitamins).	889	.294
Nonprescription medical equipment and supplies	Nonprescription medicines and dressings used externally, contraceptives, and supportive and convalescent medical equipment (i.e. adhesive strips, heating pads, athletic supporters, and wheelchairs).	495	.135
Medical care services	Professional medical services, hospital services, nursing home services, and health insurance imputation.	4,599	4.834
Professional services	Physicians, dentists, eye care providers, and other medical professionals.	2,445	2.817
Physicians' services	Services by medical physicians in private practice, including osteopaths, which are billed by the physician. Includes house, office, clinic, and hospital visits. (Excludes ophthalmologists. See Eyeglasses and eye care.)	647	1.616
Dental services	Services performed by dentists, oral or maxillofacial surgeons, orthodontists, periodontists, or other dental specialists in group or individual practice. Treatment may be provided in the office or hospital.	763	.721
Eyeglasses and eye care	Services provided by opticians, optometrists, and ophthalmologists. Includes eye exams, dispensing of eyeglasses and contact lenses, office visits, and surgical procedures in the office or hospital.	682	.225
Services by other medical professionals	Services performed by other professionals such as psychologists, chiropractors, physical therapists, podiatrists, social workers, and nurse practitioners in or out of the office.	353	.255
Hospital and related services	Services provided to inpatients and outpatients. Includes emergency room visits, nursing home care and adult day care. Includes transaction	2,154	1.630

	prices only.		
Hospital services	Services provided to patients during visits to hospitals, ambulatory surgical centers, or other similar settings.	1,628	1.542
Inpatient* hospital services	Services for inpatients. Includes a mixture of itemized services, DRG-based services, per diems, packages, or other bundled services.	N/A	N/A
Outpatient* hospital services	Services provided to patients classified as outpatients in hospitals, free standing services facilities, ambulatory surgery, and urgent care centers.	N/A	N/A
Nursing home and adult day care services	Charges for residential care at nursing homes, nursing home units of retirement homes, and convalescent or rest homes. Also includes non-residential adult day care, a newer item with few price observations at this time.	526	.089
Health Insurance	Indirect approach based on retained earnings method. See health insurance section.	N/A	.386

N/A: Data not adequate for publication.

* Substratum index.

Although medical insurance premiums are an important part of consumers' medical spending, the direct pricing of health insurance policies is not included in the CPI. As explained below, BLS reassigns most of this spending to the other medical categories (such as Hospitals) that are paid for by insurance. The extreme difficulty distinguishing changes in insurance quality from changes in its price forces the CPI to use this indirect method.

General Information on CPI Medical Care

The CPI measures inflation at the retail level, and reflects the average price change over time for a constant quality, constant quantity market basket of goods and services. In most cases it approximates what households spend *out-of-pocket* on goods and services used for day-to-day living. Therefore, medical care indexes are limited to items with an out-of-pocket expenditure, although in the case of medical care the term out-of-pocket includes any health insurance premium amounts that are deducted from employee paychecks.

The Consumer Expenditure Survey (CE) collects annual consumer spending for each CPI category; this provides the basis for the item category weights. BLS replaces these weights every two years with ones based on more recent Consumer Expenditure Surveys. To obtain the category weights, BLS combines expenditures from the CE's for two years and updates them for price change to the December before their first use in the CPI. For example, the expenditures reported on CE's for 2001 and 2002 updated to December 2003 became the basic weights for use in the CPI from January 2004 through December 2005. Every month, to compute that month's index, BLS updates the base weights for price change from the

previous month. Every year, the BLS publishes *relative importances* for the previous December; these are base weights updated for price change and expressed as a percentage of total weight. Weights for components with greater than average price change will increase more than those with smaller than average price change. As a result, the change in a component's relative importance from one December to the next reflects its price change relative to that of all other categories as well as every two years, the biennial weight replacement.

For the medical care categories the CE collects information on household out-of-pocket expenses. These may include data such as healthcare services received, who received it, the amount of payment made, and insurance reimbursements received. Medical care expenditures eligible for the CPI include out-of-pocket expenses paid by the consumer. These include fees (not recouped through health insurance) that consumers paid directly to retail outlets for medical goods and to doctors and other medical providers for medical services, as well as health insurance premiums that consumers paid (including Medicare Part B). To arrive at the consumer out-of-pocket medical expense, the CE nets out direct insurance reimbursements to the consumer from the total amounts paid by the consumer.

Since medical care only includes consumers' out-of-pocket expenditures (and excludes employer provided health care), its share in the CPI is smaller than its share of gross domestic product (GDP) and other national accounts measures.

Medical Care Outlet and Item Selection

Throughout the year, the Bureau conducts household Point-of-Purchase surveys (POPS) in the CPI pricing areas. The POPS provides the sampling frame of outlets or retail businesses for most CPI item categories including those in the medical care indexes. BLS selects the outlet sample for each item category in each pricing area using probability proportional to the reported expenditure. Approximately one quarter of the outlets "rotate" annually so that over a four year period the entire outlet sample is reselected. This keeps the sample up to date and replenishes outlets lost to refusals and going out-of-business. BLS sends its field staff to the selected outlets to select a sample of items that the outlet sells in each assigned category; thus, the item sample rotates over the four year period. The field staff uses probability proportional to reported outlet sales for sampling goods and services priced in the CPI. During the initial visit to a business, the field staff verifies that the outlet carries the item category to be priced, proceeds to select a small sample of items in the category based on the outlet's estimated or actual revenue, and records all price-determining features for the selected items. Some medical care items, such as prescription drugs or hospital services, require special sampling procedures to reduce the burden on the outlets' respondents. Additionally, specific items, such as prescription drugs, are re-sampled more frequently due to frequent innovation and new product introduction.

Prescription Drugs

The *prescription drugs* index is comprised of drugs one may purchase by prescription at a retail, mail order or Internet pharmacy. However, prescription drugs that are primarily consumed and paid for as part of hospital visits are not included in this sample.

Item sampling: This index employs a streamlined sampling method. At each of the pharmacies selected, the BLS field staff selects a specific item for each of the assigned number of items to be priced. To do this, the field staff obtains a list of the last 20 prescriptions dispensed. This "last 20 list" serves as a proxy for *all* the prescription drugs dispensed at that pharmacy, and a price is obtained for each prescription on the list. The

price includes both patient and insurance contributions to the pharmacy, and the sum of all 20 prices makes up total spending (by the consumer at this pharmacy). Thus, each price represents an observed share of total spending, and the probability of any one prescription being selected is proportional to its share in total spending. The more frequently a certain drug shows up in the "last 20 list" and the more expensive it is, the more likely it is to be selected for the index. This item selection procedure is done for every outlet when it is initiated for pricing. In addition, in each outlet prescription drugs are re-sampled after two years to capture current consumer purchase behaviors and bring new goods and services into the *medical care* index.

Special pricing procedures for prescription drugs:

Drugs losing patent protection: When a brand-name drug in the sample loses its patent protection, generic versions of the drug receive a one-time chance to replace the original, brand-name drug even if the sample pharmacy continues to sell the brand name drug. Six months after a drug in the sample loses patent protection, CPI field staff selects among all drugs (including the original) that the Food and Drug Administration deems to be therapeutically-equivalent. Delaying the reselection for six months allows emerging generic drugs an opportunity to gain market share. The chance of drug selection is proportional to the number of prescriptions sold for each version of the drug over the previous 3 months. If a generic is selected, the CPI treats any price difference between the original drug and its selected substitute as a price change, and reflects this change in the index in the month when the procedure was performed.

When prescription drugs become available over-the-counter (OTC), the CPI continues to price them in the *prescription drug and medical supplies* index until they rotate out under normal rotation procedures. They are not transferred to the *non-prescription drugs and medical supplies* index. The observations remain in the prescription drug sample, and any price change is reflected in the *prescription drug and medical supplies* index. Similarly, if any over-the-counter drugs were to change so they required prescriptions, they would remain in the *non-prescription drugs and medical supplies* index until the next rotation and any resulting price change would occur in that index.

Professional Services

The *professional services* index covers services that are performed and billed by private-practice medical doctors, dentists, eye care providers, and other medical providers. Physicians' and dental services have most of the weight for this category. Below is an example of initiating physicians' services, but the methodology applies to all providers in this EC.

Item sampling: At the initial visit CPI field staff establishes the practitioner's specialty, disaggregates to an appropriate service, and describes the characteristics of the selected visit and any related procedures on a CPI-specific checklist. Current Procedural Terminology (CPT) codes are collected to help describe the item accurately. Unless the selected combination of services changes or the CPT code is modified, the item descriptions remain fixed for pricing. The *physicians' services* index includes consumer out-of-pocket payments, Medicare B payments, and insurance reimbursements. The total fee reported for each priced service reflects the amount the physician expects to receive from the patient and/or insurance carrier.

Hospital Services

There is a growing consensus that the most appropriate way to measure hospital services is by tracking treatment outcomes rather than medical inputs consumed. From this vantage point, a day spent occupying a hospital room and the time in an operating room are not separate consumer services, but individual components of *one* hospital visit which may be all or part of a medical treatment. The current CPI method follows medical treatments, a method that lies between the old medical-inputs method and the ideal medical-outcomes method. Measuring the value of different treatment outcomes is the subject of research in the industry, but not yet a feasible methodology for the CPI medical care indexes.

Item sampling: Hospital services include inpatient and outpatient services. The pricing unit is the hospital visit, defined by a date of admission, a date of discharge as documented on a hospital bill, and the specific diagnosis or medical condition. At the initial visit CPI field staff works with the respondent to select a hospital bill based on revenues generated by eligible payers (i.e. privately insured and uninsured patients). Then, the field staff describes the item in terms of the bundle of goods and services consumed during that visit, or the physical (or mental) state required for the patient to be discharged from the hospital. Bills used for the CPI are sanitized of patient-identifying characteristics and do not contravene the Health Insurance Portability and Accountability Act of 1996 (HIPPA) confidentiality mandates.

The objective of sampling for the hospital stratum is to identify a specific eligible payer to follow over time. The sampling is based on hospital revenue. The items are distinguished by their reason(s) for admission to the hospital (i.e. heart attack, emergency visit, scheduled surgery, chronic illness, diagnostics, etc.), and associated primary diagnosis type. They are further broken down by the insurers' reimbursement arrangements in the contract (i.e. itemized charges, diagnosis related group-DRG, case rate, per diem, etc.) and the patients' expected payments (if any).

The goal of the *hospital services* index is to follow the transaction prices of selected services over time while keeping price-determining characteristics constant. The transaction price is the reimbursement received by the provider from all eligible sources; it is the amount paid by the insurance carrier (if applicable) and/or patient's out-of-pocket payments. With the exceptions of fee-for-service and fee schedule, each type of reimbursement reflects a lump sum payment based on the diagnosis, the type of procedure performed, or a flat fee per unit of service. Only quotes with payer-based transaction prices are eligible for inclusion in the priced sample of hospital services.

Health Insurance

The CPI does not publish a *health insurance* index, although BLS is testing its feasibility with an experimental index. The weights in the CPI do not include employer-paid health insurance premiums or tax-funded health care such as Medicare Part A and Medicaid. Currently, the index employs an indirect method for measuring price changes for health insurance premiums. Under this indirect method, the *medical care* index will not be affected by changes in policy characteristics, such as modifications to policy benefits and utilization changes. The approach implicitly assumes that the level of service from individual carriers is strictly a function of benefits paid. While other components may affect the index, such as more convenient claims handling or a 24-hour nurse line, their effects are probably small. This indirect approach factors medical insurance premiums into two parts:

- Changes in the prices of medical care items covered by health insurance policies
- Changes in the cost of administering policies, maintaining reserves and, as appropriate, profits.

Year	Income	Benefit	Retention	Retention-benefit ratio
1	\$100,000	\$94,000	\$6,000	.063830
2	\$108,000	\$100,000	\$8,000	.080000

Year 2 adjustment for change in retentions:

- a. Year 2 ratio / Year 1 ratio = $.080000 / .063830 = 1.253329$ relative of change, or 25.33 percent, which is the annual increase in the retention to benefits ratio.
- b. Spreading this annual change equally over 12 months is done as follows: take the 12th root of the 12 month change of 1.253329, which equals 1.018995 or 1.9 percent per month.

Last Modified Date: March 1, 2007

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 Do you have **Other comments**?



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March 30, 2007

The Honorable Mike Kelly
House of Representatives
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Kelly:

The Alaska Municipal League Joint Insurance Association (AMLJIA) supports House Bill 228.

The AMLJIA is a not-for-profit self-insurance pool for approximately 152 cities, boroughs and school districts organized under AS 21.76. Member local government entities self-insure for the first \$500,000 of each workers' compensation loss and purchase reinsurance to statutory limits.

By its design, the pool is considered an efficient risk-financing mechanism because there is no pressure to generate shareholder profit. Rates are calculated to cover expected losses, loss development from prior years, any incurred but not reported losses, the cost of reinsurance and administrative overhead (claims handling, etc.).

As you are obviously aware, when the Alaska State Legislature passed the workers' compensation reform package in 2005, medical costs were frozen at 2004 rates until August of 2007. As August approaches and the session has reached its half-way point, I have become increasingly concerned about the thawing of the 2004 rate freeze. Although I'm not a legal scholar, it appears to me that this important issue can only be resolved by a legislative action this session.

Shortly after the passage of SB130, the Medical Services Review Committee was resurrected to advise the Alaska Workers' Compensation Board and the Department of Labor in matters involving the appropriateness, necessity, and cost of medical and related services under the Alaska Workers' Compensation Act. I was appointed to this committee along with eight others. Throughout 2005, the committee met to formulate recommendations specifically surrounding this issue. The report was provided to the legislative task force chaired by then Senator Seekins. I felt there were several good recommendations in the report. The report is available from the Division of Workers' Compensation and I encourage you to review it during the interim as we forge ahead to solve Alaska's Workers' Compensation problems.

While I lack sufficient knowledge to recommend what adjustment is appropriate, it does seem fair to me to provide for some inflationary protection for the providers.

Thank you for addressing this critical issue. Please let me know if I can be of further help.

Sincerely,

Kevin Smith
Executive Director

RECEIVED

MAR 30 2007

PROTECT.

A service of the ALASKA MUNICIPAL LEAGUE



**ANALYSIS OF THE SUNSET OF THE ALASKA PHYSICIAN FEE SCHEDULE
EFFECTIVE AUGUST 1, 2007**

NCCI estimates that the August 1, 2007 sunset of the Alaska physician fee schedule, as currently provided in AS 23.30.097(a), will result in an overall workers compensation system cost increase in Alaska of between +4.5% and +5.8%.

Summary

The current workers compensation medical fee schedule in Alaska became effective December 1, 2004. This fee schedule based the maximum allowable reimbursements (MARs) on the 90th percentile of usual, customary and reasonable fees for similar services as reported to Ingenix at the time the fee schedule was established. Senate Bill 130, enacted in 2005, froze the medical fee schedule at the December 2004 levels until August 1, 2007, after which time the fee schedule would sunset.

Actuarial Analysis

The methodology used to price the sunset of the physician fee schedule is as follows:

Charges for various medical procedures under the physician fee schedule were obtained from medical transaction data. These charges were adjusted to reflect changes from past price levels to the price levels projected to be in effect once the fee schedule sunsets on August 1, 2007. Trend factors used for the projections were based on the U.S. and Western region professional components of the medical consumer price index (MCPⁱ), along with the U.S. and Anchorage MCPI (all medical components) for the period 2004-2006, shown in the following table:

Year	U.S. MCPI (Prof. Component)		Western Region MCPI (Prof. Component)		U.S. MCPI (All Medical Components)		Anchorage MCPI (All Medical Components)	
	Value	Change	Value	Change	Value	Change	Value	Change
2003	261.16	2.9%	245.17	3.3%	297.08	4.0%	N/A	N/A
2004	271.48	4.0%	255.52	4.2%	310.13	4.4%	N/A	N/A
2005	281.70	3.8%	264.65	3.6%	N/A	N/A	344.20	N/A
2006	289.33	2.7%	271.54	2.6%	N/A	N/A	356.10	3.5%

Source: Economy.com; N/A = Not Available

Based on the changes to the above indices, annual trend factors of +2.5% to +4.5% were applied to medical transaction data for physician services performed in 2003-2004 to project the price levels that would be in effect after the fee schedule sunsets. The lesser of the projected charge and the current maximum allowable fee was used to determine the current cost level for each procedure.

Total current physician costs were calculated by multiplying the current cost level for each procedure, as determined above, by the frequency for that procedure. Total current physician costs are the sum of these costs for all procedures.

Similarly, the overall physician charges after the schedule sunsets is the product of the average charge for each procedure adjusted to the cost levels estimated to be in effect on August 1, 2007 (using trends described above) multiplied by the frequency for that procedure. Estimated total physician costs after the schedule sunsets are the sum of these projected costs for all procedures. Our methodology does not contemplate additional changes in billing practices (i.e. change in utilization) that may accompany the fee schedule sunset.

The estimated impact on physician costs was determined to be an increase of between +9.7% and +12.5%. This was calculated as the ratio of the total projected costs of procedures after the fee schedule sunsets to the total projected costs of procedures under the current (12/1/2004) fee schedule.

This impact was then multiplied by the estimated ratio of physician costs to medical costs in Alaska (66.4%) to yield an increase on medical costs of between +6.4% and +8.3%. The impact on medical costs was then multiplied by the projected ratio of medical costs to total benefit costs in Alaska (70.2%) to yield an overall increase of between +4.5% and +5.8%.

The results are summarized in the table below:

	Impact
(1) Impact on Physician Costs	+9.7% to +12.5%
(2) Physician Costs as % of Medical Costs in Alaska	66.4%
(3) Impact on Medical Costs = (1) x (2)	+6.4% to +8.3%
(4) Medical Costs as % of Total System Costs in Alaska	70.2%
(5) Impact on Overall Workers Compensation System Costs in Alaska = (3) x (4)	+4.5% to +5.8%

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note: HB228-DOLWD-WC-04-12-07

Bill Version: HB 228

() Publish Date: _____

Revision Date/Time (Note if correction): _____

Title: Workers' Comp. Medical Treatment Fees

Department: Labor and Workforce Development

RDU: Workers' Compensation

Component: Workers' Compensation

Sponsor: Representative Kelly

Requester: House Labor and Commerce

Component Number: 344

Expenditures/Revenues

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
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 (FY2007) cost: None

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 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. Lisankle, Director

Division: Workers' Compensation

Approved by: Click Bishop, Commissioner

Agency: Department of Labor and Workforce Development

Phone: 465-6059

Date/Time: 4/12/07 4:23 PM

Date: 4/12/2007

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: HB228-DOA-RM-4-13-07
Bill Version: HB 228
() Publish Date: _____

Revision Date/Time (Note if correction): 4/13/2007 Dept. Affected: Administration
Title An act relating to fees for medical treatment RDU Risk Management
under the Alaska Workers' Compensation Act Component Risk Management
Sponsor Representative Kelly
Requester House Labor and Commerce Component No. 71

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
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 (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill extends the current medical fee schedule from 8/1/2007 to 3/31/2009 with a new adjustment based on the Anchorage area Consumer Price Index medical care component.

Risk Management administers the self insurance program providing workers' compensation protection for all State employees. Future Risk Management's workers' compensation assessments to State agencies will reflect costs incurred as premiums charged each agency are developed from actual claims expenses incurred.

Without this new indexed fee schedule the current schedule sunsets. Therefore this agency anticipates a zero fiscal impact.

Prepared by: J. Brad Thompson, Director
Division: Risk Management
Approved by: Kevin Brooks, Deputy Commissioner
Agency: Department of Administration

Phone 465-5723
Date/Time 4/13/2007 2:00 p.m.
Date 4/13/2007

HB

230

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 230
() Publish Date: _____

Identifier (file name): HB230-DOR-TAX-3-10-08 Dept. Affected: Revenue 04
Title: Plastic Bag Fee; Establish Litter Fund RDU: Taxation and Treasury
Component: Taxation and Treasury
Sponsor: Representatives Doll, Kerttula
Requester: (H) Labor and Commerce Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	388.2	0.0	388.2	388.2	388.2	388.2	388.2	388.2
Travel	10.5	0.0	10.5	10.5	10.5	10.5	10.5	10.5
Contractual	167.3	0.0	27.3	27.3	27.3	27.3	27.3	27.3
Supplies	2.6	0.0	2.6	2.6	2.6	2.6	2.6	2.6
Equipment	10.5							
Land & Structures								
Grants & Claims								
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	579.1	0.0	428.6	428.6	428.6	428.6	428.6	428.6

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------	------------	------------

CHANGE IN REVENUES ()	*	0.0	*	*	*	*	*	*
-------------------------------	---	------------	---	---	---	---	---	---

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	579.1	0.0	428.6	428.6	428.6	428.6	428.6	428.6
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	579.1	0.0	428.6	428.6	428.6	428.6	428.6	428.6

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time	5.25	0.0	5.25	5.25	5.25	5.25	5.25
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

See Attached.

Prepared by: Dan Stickel, Economist
Division: Tax Division
Approved by: Jerry Burnett

Phone (907) 465-3279
Date/Time 2/4/08 12:00 AM
Date 3/10/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. HB 230

ANALYSIS CONTINUATION

Bill Language:

This bill will impose a fee of \$0.15 for each disposable plastic bag "given by a retail seller of goods or services to a consumer to carry away or protect goods purchased from, or serviced by, the retail seller." The fee would be itemized and listed as a line item on the sales receipt. For our analysis, we assume an effective date of July 1, 2008.

Revenues:

Revenues from this bill are indeterminate due to lack of reliable data upon which to estimate revenues. Assuming full compliance, revenues generated will depend on two factors: the number of taxable plastic bags provided to consumers and the extent to which retailers and consumers curtail their use of these bags as a result of this bill.

We do not have a precise estimate of the number of plastic bags used in Alaska that would be taxable under this bill. According to a 2003 Wall Street Journal article, the U.S. uses about 100 billion plastic shopping bags annually. Based on the 2003 Census Bureau population estimate of 290.8 million, this is equivalent to 344 plastic shopping bags per person, per year. This estimate is consistent with estimates of bag use in other nations. For example, Australia uses 350 bags per person, per year and Ireland used 333 bags per person, per year before imposing a plastic bag tax (after imposing the tax consumption fell 90%).

Assuming per person plastic shopping bag use in Alaska is similar to that of the U.S. (344 per person, per year), and using Alaska's 2007 U.S. Census Bureau population estimate of 683,478, Alaska may consume about 235 million plastic shopping bags annually. If there were no changes in behavior (a very unlikely possibility), the plastic bag fee could generate as much as \$35 million per year.

With a fee of \$0.15 per bag, consumers will have a strong incentive to change their behavior, and we anticipate significant changes in behavior that will reduce use of taxable plastic shopping bags. Behavioral changes could include single-bagging instead of double-bagging, increased use of paper bags, utilizing reusable bags, or choosing not to use bags at all. Evidence from other countries that have implemented plastic bag fees suggests that the elasticity of demand for plastic bags is quite high. For instance, after Ireland implemented a nationwide 0.15 Euro per bag (about \$0.22 US) tax in 2002, usage fell by about 90%. If Alaska's use of plastic shopping bags fell by a similar 90%, consumption might be only 23.5 million bags per year, resulting in \$3.5 million in annual revenue.

Expenditures:

This bill would create a new tax type to be administered by the Department of Revenue. According to the 2002 Economic Census, there are 2,661 retail trade establishments in the state, 1,083 full- and limited-service restaurants and eating places and 60 dry cleaning or laundry establishments. We anticipate that some of these establishments will not offer plastic bags and therefore will not collect and remit the plastic bag fee. If there are 3,000 taxpayers submitting returns, this would amount to 12,000 quarterly tax returns. This would potentially be the second-largest tax type in Alaska in terms of the number of returns filed (behind the corporate income tax). After a period of time, it is possible that some establishments will stop offering plastic bags entirely, reducing the number of taxpayers and quarterly returns.

We anticipate that one-time costs to implement this bill will be \$140,000. This includes \$110,000 for tax database programming and online filing start-up costs, \$20,000 for enhancements to our tax examination system, and \$10,000 for a taxpayer education and public outreach program.

Ongoing costs for data entry, examination and audit will be \$428,600 annually. This bill will require five and one-quarter new positions within the Department of Revenue, as follows: two Tax Tech III's (range 14) and one Administrative Clerk II (range 10) for data entry, examination and compliance; one Tax Auditor III (Range 20) to oversee audits of the new tax type; one Accounting Technician II (range 14) to account for and process payments, collections and refunds; and one-quarter of an Analyst Programmer II (range 16) position for ongoing database maintenance, technical support and reporting assistance.

TIMES

From The Times

March 8, 2008

Series of blunders turned the plastic bag into global villain

Alex Moulton

Scientists and environmentalists have attacked a global campaign to ban plastic bags which they say is based on flawed science and exaggerated claims.

The widely stated accusation that the bags kill 100,000 animals and a million seabirds every year are false, experts have told The Times. They pose only a minimal threat to most marine species, including seals, whales, dolphins and seabirds.

Gordon Brown announced last month that he would force supermarkets to charge for the bags, saying that they were "one of the most visible symbols of environmental waste". Retailers and some pressure groups, including the Campaign to Protect Rural England, threw their support behind him.

But scientists, politicians and marine experts attacked the Government for joining a "bandwagon" based on poor science.

Lord Taverne, the chairman of Sense about Science, said: "The Government is irresponsible to jump on a bandwagon that has no base in scientific evidence. This is one of many examples where you get bad science leading to bad decisions which are counter-productive. Attacking plastic bags makes people feel good but it doesn't achieve anything."

Campaigners say that plastic bags pollute coastlines and waterways, killing or injuring birds and livestock on land and, in the oceans, destroying vast numbers of seabirds, seals, turtles and whales. However, The Times has established that there is no scientific evidence to show that the bags pose any direct threat to marine mammals.

They "don't figure" in the majority of cases where animals die from marine debris, said David Laist, the author of a seminal 1997 study on the subject. Most deaths were caused when creatures became caught up in waste produce. "Plastic bags don't figure in entanglement," he said. "The main culprits are fishing gear, ropes, lines and strapping bands. Most mammals are too big to get caught up in a plastic bag."

He added: "The impact of bags on whales, dolphins, porpoises and seals ranges from nil for most species to very minor for perhaps a few species. For birds, plastic bags are not a problem either."

The central claim of campaigners is that the bags kill more than 100,000 marine mammals and one million seabirds every year. However, this figure is based on a misinterpretation of a 1987 Canadian study in Newfoundland, which found that, between 1981 and 1984, more than 100,000 marine mammals, including birds, were killed by discarded nets. The Canadian study did not mention plastic bags.

Fifteen years later in 2002, when the Australian Government commissioned a report into the effects of plastic bags, its authors misquoted the Newfoundland study, mistakenly attributing the deaths to "plastic bags".

The figure was latched on to by conservationists as proof that the bags were killers. For four years the "typo" remained uncorrected. It was only in 2006 that the authors altered the report, replacing "plastic bags" with "plastic debris". But they admitted: "The actual numbers of animals killed annually by plastic bag litter is nearly impossible to determine."

In a postscript to the correction they admitted that the original Canadian study had referred to fishing tackle,

not plastic debris, as the threat to the marine environment.

Regardless, the erroneous claim has become the keystone of a widening campaign to demonise plastic bags.

David Santillo, a marine biologist at Greenpeace, told The Times that bad science was undermining the Government's case for banning the bags. "It's very unlikely that many animals are killed by plastic bags," he said. "The evidence shows just the opposite. We are not going to solve the problem of waste by focusing on plastic bags."

"It doesn't do the Government's case any favours if you've got statements being made that aren't supported by the scientific literature that's out there. With larger mammals it's fishing gear that's the big problem. On a global basis plastic bags aren't an issue. It would be great if statements like these weren't made."

Geoffrey Cox, a Tory member of the Commons Environment Select Committee, said: "I don't like plastic bags and I certainly support restricting their use, but plainly it's extremely important that before we take any steps we should rely on accurate information. It is bizarre that any campaign should be endorsed on the basis of a mistranslation. Gordon Brown should get his facts right."

A 1968 study of albatross carcasses found that 90 per cent contained some form of plastic but only two birds had ingested part of a plastic bag.

Professor Geoff Boxshall, a marine biologist at the Natural History Museum, said: "I've never seen a bird killed by a plastic bag. Other forms of plastic in the ocean are much more damaging. Only a very small proportion is caused by bags."

Plastic particles known as nurdles, dumped in the sea by industrial companies, form a much greater threat as they can be easily consumed by birds and animals. Many British groups are now questioning whether a ban on bags would cost consumers more than the environmental benefits.

Charlie Mayfield, chairman of retailer John Lewis, said that tackling packaging waste and reducing carbon emissions were far more important goals. "We don't see reducing the use of plastic bags as our biggest priority," he said. "Of all the waste that goes to landfill, 20 per cent is household waste and 0.3 per cent is plastic bags." John Lewis added that a scheme in Ireland had reduced plastic bag usage, but sales of bin liners had increased 400 per cent.

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ACEP ENABLED



Alaska State Legislature

Representative Andrea Doll

House District 4

Sponsor Statement

House Bill 230: "Plastic Bag Fee; Establish Litter Fund"

"An Act establishing a fee for disposable plastic bags distributed by retail sellers of goods or services to consumers to carry away or protect goods; and establishing the Alaska litter and marine debris reduction and recycling fund."

Worldwide, nearly 1 million plastic bags are consumed per minute. That's 500 billion plastic bags per year. Of those, 100 billion are consumed here in the USA – the equivalent of 12 million barrels of oil annually. US retailers spend an estimated \$4 billion on disposable plastic bags annually, a cost passed on to consumers in the form of higher prices. An estimated 8 billion pounds of plastic bags, wraps and sacks end up as waste every year in the USA alone.

Once made, single-use high-density polyethylene plastic bags will exist in some form or another for up to 1,000 years. Plastic bags don't biodegrade, they photo-degrade. They're broken down into smaller and smaller toxic bits which contaminate soil and waterways and enter the food chain where animals accidentally ingest them. Each year, more than 100,000 marine mammal deaths around the world can be attributed to ingesting plastic bags mistaken for food. The plastic bags choke the animals or block their intestines. On land, other animals accidentally ingest plastic bags when foraging for food. Additionally, plastic bags contribute to the growing problems and expense associated with municipal landfills and waste management.

It is estimated that one less plastic bag used per person per year in Alaska would reduce Alaska's waste by approximately 10,050 pounds and save in disposal costs. Over its lifetime, one reusable (canvas, etc.) grocery bag can eliminate approximately 1,000 plastic grocery bags.

In 2001, Ireland was the first country to institute a plastic bag fee ("PlasTax"). That measure reduced consumption of plastic bags by 90 percent, and generated \$9.6 million in revenues in the first year. Similarly, HB 230 would establish a small fee of 15-cents per plastic bag dispensed in Alaska. It is anticipated the Alaska experience will be similar to the Irish experience, and thus, would initially generate up to \$1.825 million per year for the purpose of marine and litter debris cleanup. As plastic bag consumption drops, revenue generated by the fee would also decline, as would the financial and environmental costs of dealing with huge numbers of discarded plastic bags.

25-LS0760\E
Bullard
1/30/08

CS FOR HOUSE BILL NO. 230()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES DOLL, Kerttula

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing in the City and Borough of Juneau, as a pilot program, a**
2 **temporary fee for disposable plastic bags distributed by retail sellers of goods or services**
3 **to consumers to carry away or protect goods and relating to that pilot program; and**
4 **providing for an effective date."**

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

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

8 **TEMPORARY FEE FOR DISPOSABLE PLASTIC BAGS.** (a) Unless this section is
9 made inapplicable under sec. 2 of this Act, and except as provided in (b) of this section, a fee
10 of \$0.15 is imposed for each disposable plastic bag, including a grocery sack, dry-cleaning
11 bag, take-out food bag, retail bag, membership or wholesaler bag, and service station bag,
12 given in the City and Borough of Juneau by a retail seller of goods or services to a consumer
13 to carry away or protect goods purchased from, or serviced by, the retail seller.

14 (b) The fee established in (a) of this section does not apply to a disposable plastic bag

1 that

2 (1) is used solely to contain a product with no other packaging, including bulk
3 grains, fruit, nuts, vegetables, or other food products;

4 (2) is used only to contain ice;

5 (3) is specifically designed for at least 1,000 reuses; or

6 (4) is for resale, if the purchaser provides the seller with a certificate of use on
7 a form prescribed by the department.

8 (c) A retail seller shall add the amount of the fees imposed by this section to the total
9 price of the goods or services subject to the fees, and the fees shall be stated separately on any
10 sales receipt, invoice, or other record of the sale or other transfer of the disposable bags
11 subject to this section.

12 (d) A retail seller shall collect the fees imposed by this section from the purchaser. A
13 retail seller subject to this section shall file a return on a form prescribed by the Department of
14 Revenue to the department not later than 30 days after the last day of the calendar quarter of
15 the sale.

16 (e) A retail seller subject to this section shall keep a record of the number of
17 disposable bags and exempt bags the retail seller has purchased, been provided with, or
18 otherwise acquired, and a record of the amount paid on disposable bags subject to this section
19 that are provided to, or sold to, retail consumers on a quarterly basis. The retail seller shall
20 keep these records in the manner as prescribed under AS 43.99.010.

21 (f) The provisions of AS 43.05 and AS 43.10 apply to this section.

22 (g) In this section,

23 (1) "department" means the Department of Revenue;

24 (2) "retail seller" means a person who, in a retail transaction, sells goods,
25 offers to sell goods, or provides services that affect goods.

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

28 OPTION TO DECLINE TO BE A PILOT PROJECT. (a) The governing body of the
29 City and Borough of Juneau shall place on the ballot at the first regular election held after the
30 effective date of this section a ballot question to ascertain whether the residents of the
31 municipality accept the opportunity to participate in the pilot project that would be established

1 under sec. 1 of this Act.

2 (b) The question placed on the ballot under (a) of this section shall read substantially
3 as follows: "Shall the City and Borough of Juneau participate in a pilot project under which
4 consumers in the municipality shall pay a state-imposed fee on certain disposable plastic
5 bags?"

6 (c) If the City and Borough of Juneau certifies to the lieutenant governor that a
7 majority of the persons voting on the question described in (b) of this section voted "No," then
8 sec. 1 of this Act does not apply in the City and Borough of Juneau.

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

11 **REPORT.** The Department of Environmental Conservation shall present to the
12 legislature a report of conclusions concerning the pilot program established under sec. 1 of
13 this Act by April 1, 2010. The Department of Revenue shall make available to the Department
14 of Environmental Conservation for its report to the legislature a report of conclusions
15 concerning the pilot program by March 1, 2010. The reports must include a recommendation
16 as to whether the pilot program should be continued or whether the pilot program should be
17 expanded to other areas of the state.

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

20 **PILOT PROGRAM REGULATIONS.** The Department of Revenue may proceed to
21 adopt regulations necessary to implement sec. 1 of this Act. The regulations take effect under
22 AS 44.62 (Administrative Procedure Act), but not before the effective date of the law
23 implemented by the regulation.

24 * **Sec. 5.** This Act is repealed January 1, 2011.

25 * **Sec. 6.** Sections 2 and 4 of this Act take effect immediately under AS 01.10.070(c).

26 * **Sec. 7.** Sections 1 and 3 of this Act take effect January 1, 2009.

Amended Final Redistricting Plan

House District
3 and 4
Overview



5-C

Excursion Inlet

Lynn Canal

Burners Bay

Juneau Icefield

Alaska-Canada Border

Juneau City and Borough

3-B

Lynn Canal

Taku Inlet

Cuba Cove

Hoonah

Icy Strait

Air Valley Inlet

Chatham Canal

Shannon Passage

Portage Pass

Stacy Bay

Legend

- Borough Boundary
- City Boundary



Amendments adopted by
Alaska Redistricting Board
April 13 as modified on April 18, 2002

Prepared by
Alaska Redistricting Board
May 4, 2002

Amended Final Redistricting Plan

House District
3 and 4
Detail

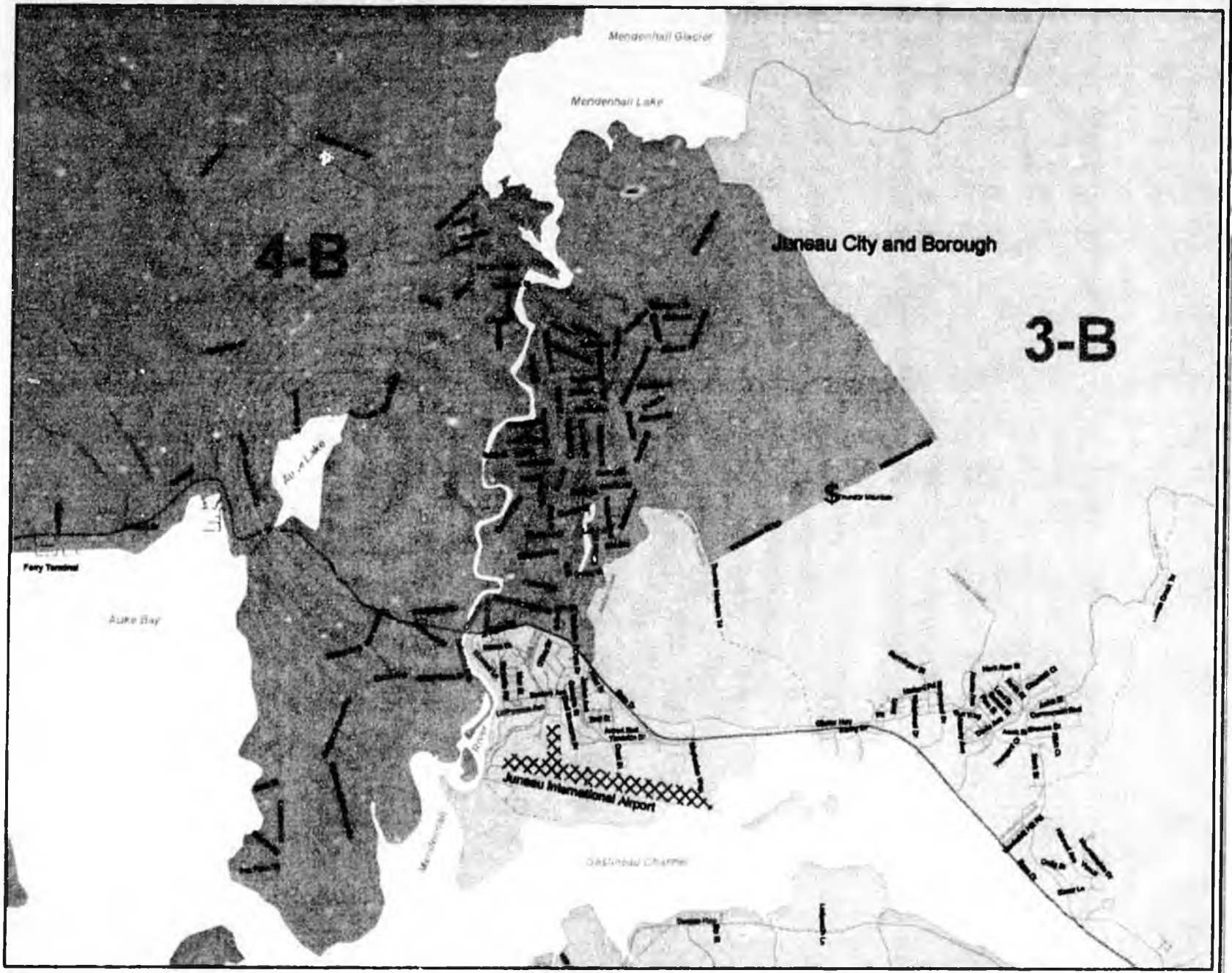


Legend
[Cross-hatched symbol] Airport



Amendments adopted by
Alaska Redistricting Board
April 13 as modified on April 18, 2002

Prepared by
Alaska Redistricting Board
May 4, 2002



Eleanor Wolfe

From: Rep. Andrea Doll
Sent: Saturday, February 02, 2008 6:02 PM
To: Rep. Kurt Olson
Subject: FW: NCEL INFO ALERT: Plastic grocery bags

Rep. Olson
Just for your information on national and international efforts to fight plastic bag use.

From: andrea doll [mailto:aldoll@gci.net]
Sent: Monday, January 07, 2008 6:54 AM
To: Rep. Andrea Doll
Subject: Fw: NCEL INFO ALERT: Plastic grocery bags

Andrea Doll
home: 907 790 1897
cell: 907 723-7355
----- Original Message -----
From: andrea doll
To: Andrea Doll ; Ken Alper
Sent: Monday, January 07, 2008 6:37 AM
Subject: Fw: NCEL INFO ALERT: Plastic grocery bags

Andrea Doll
home: 907 790 1897
cell: 907 723-7355
----- Original Message -----
From: Adam Schafer
To: 'Adam Schafer'
Sent: Monday, January 07, 2008 5:28 AM
Subject: NCEL INFO ALERT: Plastic grocery bags

NCEL

National Caucus of Environmental Legislators

Info Alert

Plastic Grocery Bags

January 7, 2008

TO: NCEL Participants
FROM: Adam Schafer, Executive Director
SUBJECT: Plastic grocery bags

NCEL participants around the country are working to limit the use of plastic grocery bags, which are made from oil and are a persistent form of litter. Options for reducing

the use of plastic bags include: requiring a fee on each bag used; requiring retailers to develop collection and recycling programs; or by banning their use altogether in favor of biodegradable or reusable grocery bags. Other countries, such as Ireland, place fees on each bag used, and San Francisco banned non-biodegradable plastic grocery bags last spring. California, Illinois and Rhode Island enacted laws in 2006 and 2007. NCEL has compiled, below, a list of plastic grocery bag laws along with legislation introduced in 2007 and planned in 2008.

While NCEL cannot discern the plastic bag industry's stance for or against each piece of legislation, the industry has formed the Progressive Bag Alliance (PBA). According to the following *Greenwire* article, the PBA favors recycling and reuse, as opposed to outright bans, as a solution to problems created with non-biodegradable plastic bags. Their website is: <http://www.progressivebagalliance.com/>. NCEL participants could gain some insight into the arguments that may be used to defeat restrictions or fees on petroleum based plastic bags by reviewing this website.

If you are working on legislation to limit the use of petroleum based plastics or if you would like more information, please contact NCEL at adam@ncel.net. Also, if you have worked on this legislation and have advice for other Caucus participants on what opposition to expect and/or winning arguments, please share them by contacting NCEL.

Legislation Aimed at Plastic Grocery Bags

Enacted Legislation:

In 2006, California enacted AB2449, which requires retailers to set up recycling programs for plastic bags. For more information on California's law, visit the state Integrated Waste Management Board at: <http://www.ciwmb.ca.gov/LGCentral/Basics/PlasticBag.htm>.

Illinois SB303, sponsored by NCEL participant Illinois Senator Terry Link, was passed on August 17, 2007 and requires retailers that distribute plastic carryout bags to consumers to implement a plastic carryout bag collection and recycling program. NCEL participants Representatives Sandy Cole and Elizabeth Coulson sponsored similar legislation in the House, HB578. To view a copy of the Illinois law, use this link: <http://12.43.67.2/legislation/publicacts/fulltext.asp?Name=095-0268>.

Rhode Island law requires retailers to provide receptacles for collecting and recycling plastic bags. In 2007, the law was amended to apply to only retail establishments with annual sales of over \$8 million within the state. To view a copy of the law, use this link: <http://www.rilin.state.ri.us/PublicLaws/Law07/law07314.htm>.

Legislation planned for 2008:

NCEL participant Maine Representative Ted Koffman, who also co-chairs the state's joint Natural Resources Committee, will be introducing legislation placing a 20 cent fee on each plastic shopping bag. Rep. Koffman hopes the legislation will spur production of bags made from bio-based plastics using Maine potatoes. To view a related article, use this link: http://pressherald.maintoday.com/story_pf.php?id=150377&ac=PHnws

NCEL participant Washington Representative Maralyn Chase has prefiled HB2424, which would require grocery stores to provide only checkout bags made of recyclable paper, compostable plastic, reusable machine-washable textile materials, or reusable plastic. To view a copy of the legislation, use this link: <http://apps.leg.wa.gov/billinfo/summary.aspx?bill=2424>

New Hampshire legislators have filed HCR217 which endorses the Kids for a Cooler Planet campaign to help address the issue of global climate change by reducing the use of disposable shopping bags and encouraging the widespread use of reusable shopping bags; encourages retailers to sell and promote reusable shopping bags; urges state government to facilitate business awareness and understanding of the Kids for a Cooler Planet

campaign to reduce the use of disposable shopping bags by helping businesses to promote reusable shopping bags; encourages the education of the general public about the importance and benefits of using reusable bags and the disadvantages of using paper and plastic disposable shopping bags; and urges the state to facilitate the broadcast of public service announcements in New Hampshire to educate the general public about the importance and benefits of using reusable bags and the disadvantages of using disposable paper or plastic shopping bags. To view a copy of the resolution, use this link:
<http://www.gencourt.state.nh.us/legislation/2008/HCR0017.html>

Legislation introduced in 2007, but not enacted

Alaska HB230 and SB118 were sponsored by NCEL participants Representatives Andrea Doll and Beth Kerttula and Senator Kim Elton. These bills would have added a 15-cent fee on each disposable bag, including a grocery sack, dry-cleaning bag, take-out food bag, retail bag, membership or wholesaler bag, and service station bag. Funds generated would support a new Alaska litter and marine debris reduction and recycling fund. To view a copy of HB230, use this link:
<http://www.legis.state.ak.us/PDF/25/Bills/HB0230A.PDF>

Connecticut HB6597/SB776 sponsored by NCEL participant Representative Richard Roy. This bill would have required all retail establishments to recycle plastic shopping bags and to prohibit the use of any plastic shopping bag at any retail establishment not later than three years after the adoption of this act. To view a copy of HB6597, use this link: <http://www.cga.ct.gov/2007/TOB/H/2007HB-06597-R00-HB.htm>

Hawaii legislators introduced resolutions, HR258 & HCR323, urging the state to review and consider recommending a statewide policy to reduce the use of plastic grocery bags by prohibiting stores that have over \$2 million in annual sales from offering non-recyclable plastic grocery bags, and instead requiring those stores to use bags made of paper, recyclable plastic, or a reusable material; and imposing fines on stores that violate the ban.

New Jersey NCEL participants Assemblywomen Linda Stender and Linda Greenstein introduced A3994 which would require retail store operators to establish in-store recycling programs that provide opportunities for customers to return clean plastic carryout bags. To view a copy of A3994, use this link:
http://www.njleg.state.nj.us/2006/Bills/A4000/3994_11.HTM

Also in New Jersey, Assemblyman John McKeon introduced A4552, which would require, beginning November 30, 2010, every retailer to restrict the use of non-compostable plastic bags by 50% of the current volume and by December 31, 2012, all non-compostable plastic bags shall be banned from use. Every retailer shall submit a report documenting the reduction in usage of non-compostable plastic bags to the department on or before November 30, 2010. Beginning January 1, 2013, every retailer would have to provide as carryout bags to customers a recyclable paper bag, a compostable bag, or a reusable bag. To view a copy of A4554, use this link:
http://www.njleg.state.nj.us/2006/Bills/A5000/4552_11.HTM

New York

A7173 would impose a fifteen cent tax on plastic shopping bags used to transport every sale of tangible personal property by consumers. To use a copy of A7173, use this link: <http://assembly.state.ny.us/leg/?bn=a7173>

NY A7219 was introduced by NCEL participant Assemblyman William Colton. It would prohibit the use of plastic bags in supermarkets with annual gross sales of two million dollars or more. Only compostable plastic bags, paper bags or reusable bags could be used for checkout. To view a copy of A7219, use this link:
<http://assembly.state.ny.us/leg/?bn=a7219>

NY A8633/S4477, also by Assemblyman Colton, would require retail businesses to restrict the use of non-compostable plastic bags by 50 percent of the current volume by 2010 and completely ban the use of such bags by 2012. To view a copy of A8633, use this link: <http://assembly.state.ny.us/leg/?bn=a8633>

NY A8810/S6253 would require operators of retail stores to establish at-store recycling programs that provide opportunities for customers to return clean plastic carryout bags. To view a copy of A8810, use this link:
<http://assembly.state.ny.us/leg/?bn=a8810>

South Carolina debated SB692 which would have required by 2012 that all plastic bags provided by a retailer be biodegradable. To view a copy of SB692, use this link: http://www.scstatehouse.net/sess117_2007-

2008/bills/692.htm

From Greenwire:

Bag-recycling programs superior to bans, manufacturer says (12/03/2007)

Plastic bag recycling programs in cities nationwide are better than banning all uses, Texas-based plastic bag manufacturing company Superbag Corp. executive Isaac Bazbaz said last week.

Earlier this year, San Francisco became the first U.S. city to ban plastic bags, and similar bans are being considered in cities around the world. But the bans are controversial for two reasons: Plastic bags are convenient, and there are concerns that paper bags contribute just as much to the world's pollution problem (Greenwire, Nov. 30).

But plastic bag companies, like Superbag, support recycling programs -- such as a program recently initiated in New York City -- that would require supermarkets and other large retail stores to collect, transport and recycle plastic carryout bags they give customers and to train sackers to use fewer bags.

The plastic bag industry believes such programs solve several problems at once: They help cities cut down on trash, help the industry conserve oil used to make plastic bags and give grocery stores an economic incentive to recycle because they can sell discarded bags to a growing secondary market for recycled plastics.

"We believe New York is the tipping point," Bazbaz said.

Bazbaz has spent more than \$1 million to start the Progressive Bag Alliance, in part because he believes the industry has gotten a bad rap. "We have been good corporate citizens," he said. "We just don't understand why no one has taken the time to hear our story."

But Natural Resources Defense Council spokeswoman Darby Hoover said voluntary recycling programs do not go far enough and are not effective. "People are starting to recognize when they're being given false choices, and paper or plastic is a false choice," she said (Brett Clanton, Houston Chronicle, Dec. 1) -- RJD

Adam Schafer, Executive Director
National Caucus of Environmental Legislators
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202-835-0491 FAX
www.ncel.net

NCEL is a non-partisan, non-profit organization formed in 1996 by state legislators who felt the need to communicate regularly about their efforts to enact progressive environmental legislation and alert each other to efforts to pass anti-environmental legislation in states across the country. Currently, over 500 bipartisan state legislators participate in the Caucus representing all 50 states. If you have legislative colleagues that would be interested in participating in the Caucus, please forward this email to them or email NCEL at adam@ncel.net.

2/19/2008

FISCAL NOTE

**STATE OF ALASKA
2008 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: HB 230
 () Publish Date: _____

Identifier (file name): HB230-DEC-SWM-1-31-08 Dept. Affected: Department of Environmental Conservation
 Title: Plastic Bag Fee; Establish Litter Fund RDU: Environmental Health
 Component: Solid Waste
 Sponsor: Representative Doll and Representative Kerttula
 Requester: House Labor & Commerce Component Number: 2

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services	140.3	0.0	181.5	181.5	181.5	181.5	181.5
Travel	8.3	0.0	10.3	10.3	10.3	10.3	10.3
Contractual	276.8	0.0	158.8	158.8	158.8	158.8	158.8
Supplies	28.9	0.0	27.1	27.1	27.1	27.1	27.1
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	1,447.3	1,447.3	1,447.3	1,447.3	1,447.3
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	454.3	0.0	1,825.0	1,825.0	1,825.0	1,825.0	1,825.0

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	454.3	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Litter Fund	0.0	0.0	1,825.0	1,825.0	1,825.0	1,825.0	1,825.0
TOTAL	454.3	0.0	1,825.0	1,825.0	1,825.0	1,825.0	1,825.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time	2.0	0.0	2.0	2.0	2.0	2.0	2.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

This legislation requires the department to establish and manage a grant program that provides funding to public entities, local governments, and nonprofit organizations to reduce litter and marine debris. The legislation also requires the department to establish and conduct an ongoing information campaign to educate the public on the hazards of litter and marine debris. A fund is established for this purpose. This fiscal note assumes that the annual estimated balance of this fund is \$1,825.0 million and is supported by fees collected on disposable plastic bags, all of which is identified in the sponsor statement. Other key assumptions are that the grant program is competitive and will generate from 15 to 20 grants per fiscal year. Additionally, given the allocation among eligible activities in the proposed legislation, \$1,447.3 will be distributed in grants each year and \$377.7 will be available to the department to fund the statewide information (Continued on page 2)

Prepared by: Kristin Ryan, Director
 Division: Environmental Health
 Approved by: Larry Hartig
Department of Environmental Conservation

Phone 907-269-7644
 Date/Time 1/31/08 12:30 PM
 Date 2/1/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. HB 230

ANALYSIS CONTINUATION

(Continued from Page 1)

campaign and to administer the grant program. And finally, it is assumed that the start-up of the program would take up to a year during which time no grants would be awarded. Grant announcements would be made in the spring of the first year with awards made at the beginning of the following fiscal year.

Two new positions will be required. A Program Coordinator will be immediately hired to establish the grant program, develop and deliver the information campaign, and begin working with communities to reduce litter and marine debris across the state. A Grants Administrator will be hired six months after the coordinator position to provide grant management throughout the grant process: public notice, request for proposals, proposal evaluation, awarding, financial disbursement, performance monitoring, reporting and closeout. One-time position set up costs for furniture and computing equipment are incurred in the first year and thereafter annual ongoing position support costs are included.

Travel is included for trips to urban and rural Alaska to conduct the information campaign, assess grant performance, and to work with local communities to reduce litter and marine debris.

Contractual and supplies costs are for grant processing, the development and delivery of educational material to include web delivery, instructional and educational CDs, and pamphlets. Contractual costs in the first year are higher to cover the use of contractors for development of information materials in a variety of media to include web delivery. Supplies costs are for general office supplies for the two positions and to purchase materials for the information campaign.

According to the allocation of the annual estimated balance for grants from the fund, \$1,447.3 will be distributed annually in grants beginning the second year following passage of this legislation.

General fund will be needed in the first year to hire the two positions, to set up the grant program, and develop and implement the information campaign. Thereafter, following the implementation of the fee by the Department of Revenue, it is assumed that the fund will have an annual balance of \$1,825.0 from the receipt of fees collected on disposable plastic bags.

To the extent that the intent of this legislation is realized, it is possible the annual available balance of the fund will fall below the assumed amount for this fiscal note as fewer and fewer plastic bags are used by those that pay the fee. Should this happen other funding would need to be identified or the program would have to be scaled down accordingly.


HB

233



**ALASKA STATE LEGISLATURE
HOUSE RULES COMMITTEE**
REPRESENTATIVE JOHN COGHILL, CHAIRMAN
State Capitol Juneau, AK 99801-1182 (907) 465-3719
3340 Badger Road Suite #290, North Pole, AK 99705 (907) 488-5725

MEMORANDUM

Date: April 12, 2007
To: Representative Kurt Olson, Chair
Labor & Commerce Committee
From: Representative John Coghill, Chair 
House Rules Committee
Re: Request for Committee Hearing HB 233

Please schedule House Bill 233 "*An Act relating to giving notice of unclaimed net margin distributions made by electric and telephone cooperatives*" for a Labor & Commerce committee hearing. I have attached a sponsor statement and sectional for this bill.

Thank you.



**ALASKA STATE LEGISLATURE
HOUSE RULES COMMITTEE**
REPRESENTATIVE JOHN COGHILL, CHAIRMAN
State Capitol Juneau, AK 99801-1182 (907) 465-3719
3340 Badger Road Suite #290, North Pole, AK 99705 (907) 488-5725

Sponsor Statement

**HB 233 "An Act relating to giving notice of unclaimed net margin
distributions made by electric and telephone cooperatives"**

The purpose of HB 233 addresses the sometimes burdensome and ineffective noticing requirements of unclaimed property law regarding capital credits of electric and telephone cooperatives. Electric and telephone cooperatives from time to time receive excess revenue from members that exceed the expenses of operations. The cooperative keeps these excess revenues in a member-owned capital account called capital credits, on behalf of the member.

Cooperatives may refund a portion of accumulated capital credits, but in some cases the cooperative seeking to refund the capital credits no longer has a valid address for the member. As a result, many go unclaimed. Current Alaska unclaimed property law allow the credits to revert back to the cooperative as long as the cooperative, at least six months prior to the reversion 1) mailed a notice to last known address of the member; 2) publishes a notice of proposed reversion in the same manner required for publishing a service of summons by publication; and, 3) publishes a notice of the unclaimed capital credits four times, during four consecutive calendar weeks in a newspaper of local circulation.

While mailing to last known address of members sometimes result in finding members, newspaper publication does not result in a significant increase in the number of members who cash their capital credit checks, particularly for rural cooperatives. As a result, cost of compliance with this notice requirement is significant and the effectiveness is questionable. HB 233 allows cooperatives the option of using the internet, instead of newspaper publication, to notify its members of unclaimed capital credits. Alaska is the most "wired" state in the country and this bill allows for cooperatives to notify its members using a method most likely to reach them.



**ALASKA STATE LEGISLATURE
HOUSE RULES COMMITTEE
REPRESENTATIVE JOHN COGHILL, CHAIRMAN**
State Capitol Juneau, AK 99801-1182 (907) 465-3719
5340 Badger Road Suite #290, North Pole, AK 99705 (907) 488-5725

Sectional

**HB 233 "An Act relating to giving notice of unclaimed net margin
distributions made by electric and telephone cooperatives"**

Section 1. Specifies that electric and telephone cooperatives who have internet websites have the option to post unclaimed net margins on their internet website and post their website in a newspaper of local distribution.

April 20, 2007

Labor and Commerce Committee
Alaska House of Representatives
Juneau, Alaska

Re: AVEC's Testimony on HB 233, Unclaimed Cooperative Distributions

Honorable Committee Members:

My name is Meera Kohler. I am the President & CEO of Alaska Village Electric Cooperative (AVEC). We are a non-profit electric utility that serves 52 villages, primarily in northwest and western Alaska. The 21,000 residents of our communities represent almost half of Alaska's village population.

We are a borrower from the USDA Rural Utilities Service and are required by our mortgage covenants to generate a modest "profit" each year from our operations. These profits or "margins" are allocated back to our member-owners as "capital credits" each year. The allocation is essentially done on a pro-rata basis. In other words, if the member contributed 10% of our gross electric revenues, then they will have 10% of the margins allocated to them.

Several years later, the capital credits are returned to the members, either by a credit to their electric account or by check. In a number of cases, the member has left the community, sometimes without leaving a forwarding address. These are the members whose distributions go unclaimed. If we are unsuccessful in tracking down the member, their distribution eventually reverts back to AVEC and is placed in an account used exclusively for student scholarships.

At issue here is how efforts are made to locate the missing members. Present law requires publication of the members' names in a newspaper of general circulation in our judicial district. Since our cooperative serves members in 52 disparate villages, we wind up spending many thousands of dollars to publish in a number of different newspapers. We do have a website, and the names of unlocatable members are continuously published there.

Passage of this legislation will help all of the members of Alaska's non-profit electric and telephone cooperatives. Money that is not spent on newspaper advertising would increase margins and would remain in the pockets of the utility consumers of Alaska. It would also recognize that modern technology provides very inexpensively what previously necessitated expensive and time-consuming efforts.

Your support of HB 233 is respectfully urged.

Thank you,

Meera Kohler
President & CEO

**Written Testimony of Robert A. Wilkinson
Copper Valley Electric Association Inc.
before
House Labor & Commerce Committee
on
House Bill 233
Unclaimed Net Margin Distributions by Electric and Telephone Cooperatives**

Good afternoon, members of the House Labor & Commerce Committee. My name is Robert A. Wilkinson, and I am the Chief Executive Officer of Copper Valley Electric Association. CVEA is a member owned non-profit electric cooperative organized under Alaska Statute 10.25. CVEA provides central station electric service to 3,600 customers along 260 miles of the Glenn, Richardson, and Edgerton Highways. Included in our service area is the City of Valdez and a dozen communities spread across the Copper River Basin.

Article 7 of the Cooperative's Bylaws provides that all income received from the members in excess of operating costs and expenses are furnished as capital or net margins with the expectation that one day said net margins will be refunded to the member. Net margins are held in an account in the member's name until such time as the Cooperative authorizes a refund. Often, net margins may be retained by the cooperative for a generation or longer before refunds are authorized. Many Alaska cooperatives, including CVEA, have a scheduled period for refunding net margins on a 20 year cycle.

In addition to the length of time between when the margins are provided by the member and when they are refunded, there are other considerations which lead to a large number of unclaimed net margins. During the summer months, recreation, tourism, government and fishing industries employ seasonal workers. Other

industries also seem to contribute to the turnover of our membership. This continual turnover of community residents results in a very large number of former members who cannot be located when it comes time to mail a refund check. A recent analysis of our current membership revealed the following interesting statistics:

- Only 1 in 5 members has been on the CVEA system 20 years or longer.
- ½ of our current membership has been on the CVEA system 10 years or less.
- 90% of CVEA's current members have joined the Cooperative since 1980.

The end result of the foregoing discussion is that CVEA has a substantial number of invalid addresses for the intended distributions. Current law requires that in addition to mailing a notice of reversion to the last known address the Cooperative is required to publish a notice in a newspaper in accordance with Alaska Rule of Civil Procedure 4. Such a publication is very expensive and, at least in CVEA's experience, is questionably effective.

This past year following CVEA's 2004 net margin distribution, we posted names of persons with unclaimed distributions on our website (www.cvca.org). While we have no empirical data to support our claim, the consensus of our accounting personnel is that website advertising is more effective than newspaper advertising for a growing number of reasons. More people are using the internet every day, CVEA promotes the website as a place to find this information, the site can be up and available longer, it is always "on", and use of the internet for communicating with customers about important information is gaining widespread acceptance and for that reason more members are using it as their source of information about the Cooperative. Finally, research indicates a growing number of states are using the

power of the internet for providing public notice related to unclaimed property including the Alaska Department of Revenue.

There is one other shortcoming of the existing unclaimed property act with respect to noticing unclaimed margin distributions and that is the expense of newspaper publication. In the case of CVEA the cost to publish the names of persons with invalid addresses runs into the thousands of dollars each year we make a disbursement. While internet posting will certainly result in some administrative cost, it will be a fraction of the cost of publishing those same names in the local or Anchorage newspaper. Perhaps of greater concern is the opportunity cost of not spending those publication dollars on charitable, scientific, or educational programs. Alaska Statute 10.25.10 provides that cooperatives may make donations for the public welfare. In the case of CVEA, \$100,000 has been awarded in scholarships to graduating seniors, all funded with escheated capital from unclaimed distributions. House Bill 233 will help to minimize the cost of noticing and maximize the dollars available for assisting with post secondary education.

In closing, I thank the Committee for the opportunity to testify on this important legislation, I truly believe this legislation will be good for electric cooperative customers. I urge the Committee to move this bill for the many sound reasons discussed in my testimony.

Thank you.



April 24, 2007

Representative Kurt Olson
Chairman
House Labor and Commerce Committee
Capital Building, Room 408
Juneau, Alaska

RE: House Bill 233

Dear Representative Olson & Members of the Committee:


I am writing in support of HB 233, "An Act relating to giving notice of unclaimed net margin distributions made by electric and telephone cooperatives".

As a telephone cooperative incorporated under Alaska Statute 10.25, Copper Valley Telephone Cooperative would appreciate the ability to select the method of notification that is most likely to reach our members and former members. The internet is becoming common place in all parts of the country and is accessible to almost everyone in Alaska and the United States. HB 233 will allow Alaska cooperatives to harness the power of the internet to inform their members and former members of their unclaimed capital credits.

On behalf of Copper Valley Telephone Cooperative I request your support of HB 233 as proposed.

If you should have any questions, you may contact my office at (907) 835-7701.

Sincerely,



David Denget
CEO/GM

Copper Valley Telephone Cooperative

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: HB233-COM-RCA-04-20-07
 Bill Version: HB 233
 (H) Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Unclaimed Phone/Electric RDU Regulatory Commission of Alaska (399)
Cooperative Distributions Component Regulatory Commission of Alaska
 Sponsor Rules
 Requester House Labor & Commerce Component No. 2417

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
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 (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would require cooperatives incorporated under AS 10.25 to follow certain notice requirements before abandoned distributions of net revenues (i.e., distributions that remain unclaimed for over one year) may revert to the cooperative. Specifically, this legislation would establish additional notice requirements for cooperatives that have an Internet website. While the RCA reviews many of the operational rules and rates of economically regulated electric and telephone cooperatives through a tariff review process, the rights of cooperative members regarding distributions of net revenues are not subject to that review. The RCA would not be involved in monitoring compliance with the provisions of this legislation.

The Regulatory Commission of Alaska would not incur any additional costs on account of this legislation.

Prepared by: Kate Giard, Chair Phone 907.276.6222
 Division Regulatory Commission of Alaska Date/Time 4/20/07 2:00 PM
 Approved by: Enil Notti, Commissioner Date 4/20/2007
 Agency Commerce, Community, and Economic Development



ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.

Post-Net Fee	Note	7671
To	Rep. Olsen	
Co/Dept	State of AK	
Phone #		
Fax #	4105-3835	
Date	4/23/07	# of pages 2
From	Meera Kohler	
Co	AVEC	
Phone #	5101-1818	
Fax #	5102-4086	

April 20, 2007

Labor and Commerce Committee
Alaska House of Representatives
Juneau, Alaska

Re: AVEC's Testimony on HB 233, Unclaimed Cooperative Distributions

Honorable Committee Members:

My name is Meera Kohler. I am the President & CEO of Alaska Village Electric Cooperative (AVEC). We are a non-profit electric utility that serves 52 villages, primarily in northwest and western Alaska. The 21,000 residents of our communities represent almost half of Alaska's village population.

We are a borrower from the USDA Rural Utilities Service and are required by our mortgage covenants to generate a modest "profit" each year from our operations. These profits or "margins" are allocated back to our member-owners as "capital credits" each year. The allocation is essentially done on a pro-rata basis. In other words, if the member contributed 10% of our gross electric revenues, then they will have 10% of the margins allocated to them.

Several years later, the capital credits are returned to the members, either by a credit to their electric account or by check. In a number of cases, the member has left the community, sometimes without leaving a forwarding address. These are the members whose distributions go unclaimed. If we are unsuccessful in tracking down the member, their distribution eventually reverts back to AVEC and is placed in an account used exclusively for student scholarships.

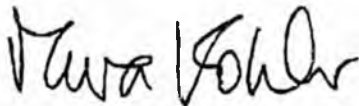
At issue here is how efforts are made to locate the missing members. Present law requires publication of the members' names in a newspaper of general circulation in our judicial district. Since our cooperative serves members in 52 disparate villages, we wind up spending many thousands of dollars to publish in a number of different newspapers. We do have a website, and the names of unlocatable members are continuously published there.

HB 233 Testimony to House L & C Committee
Page 2 of 2

Passage of this legislation will help all of the members of Alaska's non-profit electric and telephone cooperatives. Money that is not spent on newspaper advertising would increase margins and would remain in the pockets of the utility consumers of Alaska. It would also recognize that modern technology provides very inexpensively what previously necessitated expensive and time-consuming efforts.

Your support of HB 233 is respectfully urged.

Thank you,



Meera Kohler
President & CEO

HB

258

Alaska State Legislature

House of Representatives

Official Business



State Capitol
Juneau, AK 99801-1182

SPONSOR STATEMENT FOR SSHB 258 BY: Representative Bob Roses

TITLE: "An Act relating to pawnbrokers; and providing for an effective date."

House Bill 258 institutes a regulatory scheme for pawnbrokers in the State of Alaska. Currently there is no codified regulation of this industry in statute – an oversight when it comes to consumer protection.

Alaska Statute Section 08.76.040. Disposition of unredeemed property, is the controlling language under which all pawnbrokers currently conduct business. Four paragraphs outlining redemption period, notices, and entitlements. HB 258 establishes a more formal structure easy to follow by current shop owners, and one that the State can regulate effectively.

Pawnbrokers have operated far too long without consistent state oversight and regulation. Consumers of this service need to know that the state is looking out for their protection and that each operator follows the same rules and their procedures are transparent to the public and to public safety.

These changes have been crafted by combining the best practices of other states.

I urge your support of this legislation.

Alaska State Legislature

House of Representatives



Official Business

State Capitol
Juneau, AK 99801-1182

Sectional Analysis for SSHB 258

TITLE: "An Act relating to pawnbrokers and the exemption for pawnbrokers under the Alaska Small Loans Act; and providing for an effective date"

Section 1 Limits regulation under Title 06, The Alaska Small Loans Act, on pawnbrokers.

Section 2 Add pawnshops to the list of centralized licensing.

Section 3 Clarifies record keeping procedure for pawnbrokers.

Section 4 Directs that entries made under Sec. 3 apply to the guidelines currently under statute.

Section 5 New Regulation Language – this section adds the following new sections:
08.76. ___

100 – Licensing required – requires a license to be a pawnbroker

110 – Requirements for licensing – outlines the requirements for the license

120 – Investigation Fee – establishes a \$200 fee for initial investigation

130 – Withdrawal of Application – outlines procedure to withdraw application

140 – Duration and renewal of license – establishes a 2 year license and method of renewal

150 – Biennial report – requires licensees to report to the department every 2 years

160 – Amount Financed – set the amount for a pawn transaction

170 – Customer and transaction limitations – limits pawn transactions to sober persons over the age of 18 using their own names pawning their own property

180 – Record of pawnbroker transaction – requirements for recordkeeping

190 – Recording requirements – sets forth the requirements for records

200 – Transaction agreement – requires that pledgors receives copies of transaction agreements

210 – Finance fee – sets parameters for fees.

220 – Other charges allowed – outlines other allowable fees.

- 230 – Insurance – prohibits the sale of insurance in pawn transactions
 - 240 – Return of pledged property – process for returning pledged property
 - 250 – Extension of grace period – outlines the terms for a 30-day grace period
 - 260 – Retention, storage, and lease – requirements for property handling by pawnbrokers
 - 270 – Redemption – outlines the procedure for property redemption
 - 280 – Military personnel – given military orders pawnbrokers must waive fees for deployed military personnel
 - 290 – Business operation method and hours – limits hours and methods of business operations
 - 300 – Waiver prohibited – pawnbrokers cannot require or allow a person to waive any provision under this chapter
 - 310 – Employees – prohibits employees from having a felony or misdemeanor involving dishonesty for five years.
 - 320 – Issuance of police hold order – outlines process for police to hold property
 - 330 – Evidentiary hold order – outlines the process for evidentiary hold orders
 - 340 – Contents and form of hold order – specifies the requirement of hold orders
 - 350 – Duration of police hold order – limits total time for hold orders
 - 360 – Noncompliance with hold order – penalties for noncompliance
 - 370 – Claim notification – procedure for notifying pawnbroker of misappropriated property
 - 380 – Court action on claim – procedure to resolve misappropriated property claim
 - 390 – Liability of pledgor – if pledgor pawns property not legally theirs, they are liable for the full amount of the pledge and fees.
 - 400 – Recovery of leased property – procedures to handle property leased to pledgor
 - 410 – Law enforcement reports – requirement to provide reports to law enforcement
 - 420 – Contents of law enforcement reports – Specific report requirements
 - 430 – Review by law enforcement officers – gives law enforcement ability to review property that has not been redeemed
 - 440 – Discipline – outlines the procedure for departmental discipline of licensees
 - 450 – Penalty – outlines penalties as a result of departmental discipline
 - 460 – Criminal liability – sets forth the criminal liability for violators of this act
 - 470 – Departmental reports – directs the department to compile biennial reports
 - 480 – Municipal regulation – limits regulation by municipalities to the restrictions under this act.
 - 490 – Regulations – directs the department to adopt regulations
 - 500 – Exemptions – exempts banks, credit unions and other institutions who are regulated by other entities
 - 590 – Definitions
- Section 6 Repeals 08.76.040 which has effectively replaced by the new language in Sec. 5.
- Section 7 Directs the Department of Commerce, Community, and Economic Development to adopt regulations to implement this act

- Section 8 Allows grandfathering of businesses already licensed by municipalities with a delayed time period for application
- Section 9 Directs the first Biennial Reports to be completed by 2011 to cover the 2009-2010 time period.
- Section 10 Voids Municipal ordinances that conflict with this act
- Section 11 Immediate effective date for the development of regulations
- Section 12 Effective date for the rest of the act for July 1, 2009.

NATIONAL PAWNBR KER



Pawnbroking Industry Overview:

Meeting the Needs of America's Working Families

National Pawnbrokers Association • www.nationalpawnbrokers.org

NATIONAL PAWNBROKER

In today's society, many people depend on pawnbrokers to help them meet daily financial needs not offered by other institutions. Pawn customers represent the working families of America who periodically experience an unexpected need for short-term funds. Pawn loans keep the electricity on, the rent paid and cars running with full tanks of gas.

This growing, competitive industry is constantly working to enhance the image of pawnbrokers, while offering needed services to their communities. Today's pawn stores are attractive, welcoming places to do business. Most of them are family-owned and operated stores that offer superb customer service. Although pawnbrokers are primarily small business owners, they can also be larger, publicly traded companies that help to add to the professional status of the industry.

Working with law enforcement helps ensure the safety of pawn customers and their property. Pawnbrokers comply with all federal, state and local regulations and laws. In most jurisdictions, they provide local law enforcement with data on all transactions on a daily basis.

To provide the independent pawnbroker with the tools to be successful now and in the future; to represent pawnbrokers before the Congress of the United States and to protect their interests; and to prepare pawnbrokers for the future by helping them cope with changes in technology.

To contribute to the professional and personal development of member pawnbrokers and member associates through the enhancement of the images and perceptions of the industry; by advocating pawnbrokers' rights, responsibilities and issues in the courts as well as the various lawmaking bodies of the land; and by representing and speaking for the industry.

Headquartered in Keller, Texas, the National Pawnbrokers Association (NPA) was founded in 1988 to support the growing network of responsible pawnbrokers in the United States. As a trade association, the NPA supports nearly 2,400 members. The Association offers guidance to pawnbrokers on how to be involved on a local, statewide and national basis. In addition, the NPA offers members compliance training related to the federal, state and local laws that apply to the industry.

Pawnbroking is not a new practice nor does it appeal to just one social class. As humankind's oldest financial institution,

pawn loans can be traced back at least 3,000 years to ancient China as well as early Greek and Roman civilizations. During the 14th Century, King Edward III of England is said to have frequented pawn stores in Europe. Queen Isabella is reported to have pawned her royal jewels to finance Christopher Columbus' voyage to the New World.

Traditionally, the pawnbroker's symbol is three gold spheres hanging from a bar. This stems from St. Nicholas, often referred to as the patron saint of pawnbroking. He is reported to have left three bags of gold so the daughters of a poor man could afford to marry, thus saving them from a life of slavery or prostitution. Later the tradition transformed the bags into three gold balls, which became the symbol of pawnbrokers.



NATIONAL PAWN BROKER

Who We Serve

Pawn customers have regular jobs, from working in hospitals to home construction. They support our country and its economy by working in government, teaching our children and caring for the elderly. Just like you, pawn customers have dreams; want better lives for their children and a stronger sense of security. However, they also have pressing bills and unforeseen financial issues.

US Adult Usage of Traditional Banking Services



GAO Report 02-913, Electronic Transfers, Sept 2002

According to GAO analysis of November 1999 Census SIPP data, as many as 55 million people (28% of US adults) are unbanked. Other studies show that 32 percent of pawn customers borrow only twice per year to help cover unexpected expenses.

The Consumer Federation of America found that more 50 percent of Americans are living paycheck-to-paycheck. When it comes to financial alternatives, pawn customers do not have many safe, convenient, regulated choices.

How the Pawn Process Works

Put simply—customers pledge property as collateral, and in return, pawnbrokers lend them money. When customers pay back the loan, their merchandise is returned to them. Pawn loans are made on everything from jewelry to electronics. If the customer elects not to redeem his or her collateral, there is no credit consequence to the borrower and the items are sold at a value price to retail consumers.

- The average pawn loan is \$75.
- Contract periods vary by state, but are typically 30 days with an additional 30-day grace period.
- Applicable fees and allowable interest rates are set by the individual states.

State laws also prescribe what information is required from the consumer to enter into a pawn transaction, and may include:

- Name and address
- Date of birth
- Gender and ethnicity
- Government-issued form of personal identification
- The date and time of the transaction
- A description of the collateral, including any available serial numbers or identifying markings

Short Term Credit Alternatives	Fee
\$75 pawn loan @ 20% (30-60 days)	\$15
Bank NSF fee	\$28
Merchant-bounced check fee	\$25
Credit Card late fee	\$29
Utility late/reconnect fees	\$53

Average Pawn Customer

- Age: 36
- Household Income: \$29,000
- 80% are employed
- 82% have high school diploma or GED
- 33% are homeowners
- All ethnicities

Pawnbrokers are governed by all of the major federal laws that apply to other entities designated as financial institutions, including:

- USA Patriot Act
- Truth-in-Lending Act
- Bank Secrecy Act and IRS regulations requiring reporting of certain cash transactions
- Trading with the Enemy Act and related Executive Orders and regulations
- Privacy provisions of the Gramm-Leach-Bliley Financial Services Modernization Act

Pawn customers are primarily middle class consumers who need short term credit. This is a service that pawnbrokers provide when other financial institutions will not.



NATIONAL PAWNBROKER



Frequently Asked Questions

Do pawn customers enjoy the same protections under federal law that customers of other financial institutions enjoy?

No. Pawn transactions are the only type of consumer credit that requires reporting to local law enforcement agencies. In many states this reporting is required daily, and must include extremely sensitive personal information about the consumer (i.e. ethnicity, gender, address). Much of this information qualifies as "non-public personal information" under federal privacy law and is entitled to protection as such.

Why would someone go to a pawnbroker to get a loan?

Pawnbrokers offer the consumer a quick, convenient and confidential way to borrow money. A short-term cash need can be met with no credit check or legal consequences if the loan is not repaid. Pawnbroking imposes a discipline on the borrower that other lenders do not. Pawn loans do not cause people to overextend credit or go into bankruptcy.

Are pawn rates excessive?

No. To provide their service, all lenders must charge rates commensurate with the size and duration of the loan, collateral, risk and recourse. Pawn transactions are small-dollar, short term loans with no hidden charges.

Do most pawn customers lose their merchandise?

On average, about 80 percent of all pawn loans are repaid. Repeat customers make up a majority of the business, similar to any other lending or retail establishment. Pawnbrokers establish relationships with their customers because they often borrow against the same items repeatedly. Pawnbrokers offer non-recourse loans, looking only to the item being pledged to recover their investment if the borrower chooses not to repay the loan.

How can I be sure the merchandise I purchase at a pawn store is not stolen?

Less than half of one percent of all pawned merchandise is identified as stolen goods. That is because customers must provide positive identification and a complete description of the merchandise. This information is then regularly transmitted to law enforcement, which dramatically decreases the likelihood that a thief would bring stolen merchandise to a pawn store.

Does the general public have a correct or even fair image of a pawn store?

No. Today's pawn store looks very different from the stereotypical portrayal seen in film and television. Pawnbrokers have been, and are continuing to, upgrade the interior and exterior of stores, as well as employee presentation, customer service, exterior signage, and the marketing and merchandising approaches they use. Pawnbrokers focus on providing exceptional customer service and are active in the community, both politically and within local charities.

www.nationalpawnbrokers.org

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National Pawnbrokers Association



PROPOSED REGULATORY RELIEF AMENDMENTS TO REDUCE EXCESSIVE REPORTING REQUIREMENTS ON NON-DEPOSITARY PROVIDERS OF CONSUMER CREDIT AND COSTS ASSOCIATED WITH REPORTING

Local ordinances in most jurisdictions require lenders who advance money based on pledges of personal property to disclose details of each transaction, including nonpublic personal information (NPPI), to local government agencies on a daily or weekly basis. Most of these consumer finance businesses are small businesses. These reporting requirements are excessive and costly. Because of the scale of their businesses and the frequency of reporting required, local reporting requirements impose burdens on small businesses that competitors do not sustain and increasingly place small businesses at risk of losing customers to others because of customer concerns about financial privacy or decreasing competitiveness of the terms they offer consumers because of rising compliance costs.

Under the privacy requirements of the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (the "GLBA") and the Right to Financial Privacy Act of 1978 (the "RTFPA"), consumers have important privacy interests in the records of the providers of consumer financial services and products with which they deal. Customers of lenders who advance money on pledged personal property enjoy considerably less protection for the nonpublic personal information (NPPI) they provide to such lenders.

The following amendments to these two federal statutes would harmonize the federal and state regulatory framework for all providers of consumer financial products and services and reduce their compliance costs. Specifically, the amendments would confirm that these lenders are "financial institutions" under the RTFPA and that customer records would receive appropriate privacy protection under the GLBA. In addition, in the nearly 30 years since the passage of the RTFPA, the numbers of new state-chartered providers of financial products and consumer credit have surpassed the number of new federally chartered or supervised providers. As a result, the RTFPA no longer provides the same degree of protection for account holders as it did when first enacted. In addition, the proposed amendments would afford to consumers who obtain financial products or credit from providers covered by the GLBA (regardless of the sources of their charters or licenses to do business) privacy protections more suitable in a 21st Century environment and functionally equivalent to those enjoyed by consumers who are unable or unwilling to borrow money from banks. The proposed amendments are set forth below.

The following amendments pertain to the Right to Financial Privacy Act of 1978, codified at 12 USC §§ 3401 et seq.:

Adding to the definition of the term "financial institution" in section 3401(1) the phrase "(including any lender who advances funds on pledges of personal property)" following the words "consumer finance institution". The resulting definition would read:

"Financial institution" means any office of a bank, savings bank, card issuer as defined in section 1602(n) of Title 15, industrial loan company, trust company, savings association, building and loan, or homestead association (including cooperative banks), credit union, or consumer finance institution (including any lender who advances funds on pledges of personal property), located in any State or territory of the United States, the District of Columbia, Puerto Rico, Guam, American Samoa, or the Virgin Islands;"

RegRelief/June232005

2. Adding an exception to disclosures pursuant to section 3413(g):

"Nothing in this chapter prohibits (1) the disclosure of information in a financial record that does not identify or is not identified with or identifiable as being derived from the financial records of a particular customer of a "financial institution" as defined in this chapter or is limited to a description of property securing funds advanced and the date, time, and location of the transaction that is not identified with or identifiable as being derived from the financial records of a particular customer of a "financial institution" as defined in this chapter, as amended, or (2) the disclosure of personally identifiable information based on demonstration by a Government Authority of facts and circumstances that reasonably indicate criminal conduct by the individual whose information it seeks, or access by a state or local government to personally identifiable information after demonstrating the existence of an open official investigation or case file, including the existence of an open official investigation or case file.

The following amendments pertain to Title V (Privacy) of the Gramm-Leach-Bliley Financial Services Modernization Act of 1999:

3. Amending the definition in subsection 509(4) to include "and any thumbprint, fingerprint or other biometrically derived identity information provided by the consumer, or any photographic image of the consumer other than one taken by a general business purpose security camera."

The resulting definition would read: (A) The term "nonpublic personal information means personally identifiable financial information and any biometrically derived identify information, including a thumbprint or fingerprint, or any photographic image of the consumer other than one taken by a general business purpose surveillance camera — (i) provided by a consumer to a financial institution; ..."

4. Adding to the end of section 502 a new subsection (9) to read as follows: "Notwithstanding any other provision of this section [15 USC § 6802], unless required by Federal laws, rules, or other applicable Federal legal requirements, or unless required to comply with a properly authorized civil, criminal, or regulatory investigation or subpoena, summons or when criminal conduct by a consumer is reasonably indicated by facts and circumstances provided by Federal, State, or local authorities, no Federal, State, or local government or agency or department thereof, may (A) use nonpublic personal information contained in financial records governed by this title to investigate or prosecute any consumer to which the nonpublic personal information pertains or (B) store or aggregate nonpublic personal information received under any exception stated in this section in any manner that would allow the recipient to identify consumers for investigation or prosecution."

An acceptable alternative formulation of the immediately preceding amendment would amend subsection 502(e)(8) by adding to the end: "provided that, to the extent that the customer is the subject or target of the request, all disclosures made pursuant to this subsection are subject to the same procedures and rights as are afforded pursuant to 12 U.S.C. §§ 3401 et seq."

5. Amending subsection 521(c) so that it reads in its entirety: "Nonapplicability to law enforcement agencies. No provision of this section [15 USC § 6821] shall be construed so as to prevent any action by a law enforcement agency, or any officer, employee, or agent of such agency, to obtain customer information of a financial institution in connection with the performance of the investigation or prosecution of violations or activity described in subsections (a), (b), and (e) of this section [15 USC § 6821], but action by any law enforcement agency, or any officer, employee, or agent of such agency for any purpose not described in subsections (a), (b), or (e) of this section remains subject to the provisions of subsections 502(e)(5), 502(e)(8) and 502(e)(9) [15 USC §§ 6802(e)(5), (e)(8), and (e)(9)], as amended."



America's Newspapers

Borough seeks pawnshop regulation - TO CATCH A THIEF: Ordinance would make shops report inventory.

Anchorage Daily News (AK) - August 2, 2006

Author: ANDREW WELLNER Anchorage Daily News ; Staff

Valley pawnshops would be compelled to report their inventory on a statewide database, according to a measure sponsored by Matanuska-Susitna Borough Assemblyman Jim Colver.

The borough Assembly would have to ask voters to adopt police powers to oversee pawnbrokers' compliance, should the measure pass.

Under Colver's ordinance, pawnshops would be required to apply for business licenses with the borough that stipulate they must report their inventory to a statewide database overseen by the National Law Enforcement and Corrections Technology Center.

The database has been an ongoing project for the technology center since 2002, when the center evaluated a number of possible software applications, said Bob Griffiths, director of the Anchorage branch of the technology center. The center planned to have the system up and running in mid-August, but could go sooner depending on the language of Colver's ordinance.

Colver's measure was on the Tuesday agenda. It asked the Assembly to approve a ballot measure in October. The ballot measure would ask voters to approve limited borough police power for the purpose of enforcing the database requirement.

Once the ordinance passes, Griffiths said, "we'll know for certain what date we have to have it up and tested and validated and work with the affected pawnshops to make sure that they have the right software that allows them to do this."

Colver said he hopes the ordinance will push the market for stolen goods out of the borough. The Valley, he said, is a dumping ground for items stolen from Anchorage.

But the borough has its share of stolen goods, he said, "because of our meth epidemic we have a lot of burglaries and basically a lot of those burglaries are trying to get fast bucks to support their meth habits," Colver said.

"If there's a stolen item the person should have it back," said John Minnick, who owns A-1 Pawn Shop in Wasilla. "We're not the bad guys. We're the good guys," he said, since the pawnbroker records customers' driver's license numbers and hands them over to police in the case of stolen merchandise.

His main concern, he said, is that pawnbrokers get restitution from the thief, something he said the Palmer courts are good about insisting upon.

Still, it's unclear to him at such an early stage how effective it will be.

"First-time thieves come to pawnshops. Second-time thieves don't," Minnick said.

Steven Stewart, owner of Alaska Pawn in Palmer, said he's also skeptical. If the borough adopts police power for the purpose of regulating pawnshops, he wonders whether it will be effective. He said his time in the Valley hasn't inspired in him much confidence in the ability of local law enforcement to regulate pawnshops.

"It won't work, no matter what they do because it hasn't worked the 20 years I've been in business," Stewart said.

Reporter Andrew Wellner can be reached at awellner@adn.com or by calling (907) 352-6710.

Caption: Photo 1: pawnshop_080206.jpg
STEPHEN NOWERS / Anchorage Daily News Steven Stewart, owner of Alaska Best Pawn on the Palmer-Wasilla Highway, doesn't think the borough's proposed pawn shop inventory ordinance will have much of an impact on the movement of stolen goods.

Edition: Final

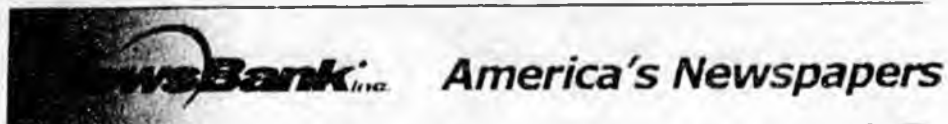
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Sympathy for the customer - Pawnshop manager's habitual kindness smooths difficult transactions

Anchorage Daily News (AK) - November 6, 2003

Author: CINTHIA RITCHIE Daily News correspondent ; Freelance

A thousand stories lurk inside a pawnshop, and Ken Coston at Alaska 1st Cash has probably heard them all. The 39-year-old store manager can tell you about the mother who pawned her television to pay the electric bill, the man who brought in his guitar to cover car repairs, the elderly woman who pawned her watch to attend a funeral back home.

"We get a lot of personal stories," Coston said, "and I just, gosh, I just really feel for some of them."

With his glasses shining in the overhead light, Coston looks more like a benevolent schoolteacher than a pawnbroker. He's serious and modest; his motions are efficient and thoughtful. And somehow, he's got a kind word for every-one.

Years ago, when my son was young and we were very poor, I searched pawnshops for things I couldn't afford: a television, a Nintendo and accessories, a blender, a juicer. I shopped late at night, ashamed and worried that I might reach the point where I would have to pawn my own stuff, shuffling for a few extra bucks to make it through the month.

After I pulled myself up, I quit shopping at pawnshops. But a few months ago, I took my son to Alaska 1st Cash. I wanted to teach him that used was just as good as new, that he could stretch his allowance by buying four GameCube games for the price of one. We met Coston in front of an almost-new computer tagged at a ridiculously low price.

Coston explained the operating system, ran in back to get information on the previous owners, squatted down and told us about his own computer dreams. He took out a magazine and showed us prices and models, said that we could get a new one for just twice what I would pay for this one.

"Can't beat that," he said, his voice faraway, and I could just tell he was dreaming of a new computer, faster and better than the one he had. Then he sighed, closed the book, noticed my hesitation and told me it was crazy to pay for what I didn't need just because I thought I needed it.

"Take your time," he said. "Think about it."

When we went in the next day to pick up the computer, two of the video games my son had been looking at were tucked in the box. He'd saved them for us.

Pawnshops harbor a reputation for preying on the poor, bleeding them dry by compounding the interest on their loans. Coston waved off such stereotypes. He said he believes he's doing people a service, offering them a safety net, a way to bridge finances from one paycheck to the next, one job to another. A pawnshop is like a bank, he said, loaning money to those with no credit or bad credit, those caught in society's margins.

"Where else can they go?" he asked, spreading his arms.

Then he explained how the business works. A customer comes in to pawn his goods. Coston looks up the items in the in-store price binder or in the Orion Blue Book, and then he makes an offer. If the customer accepts, he fills out paperwork and is handed the amount of his loan. He'll have 30 days to pay it off, including a service charge and interest. This varies, but you can expect to pay back about \$90 on a \$70 loan. When the customer

pays off his loan, he can retrieve the item. If he can't afford the entire amount, he is required to make monthly interest payments. Items are held for as long as the customer continues making payments or for 30 days past due, and then they are placed in the store for resale.

Coston said he understands how people can harbor the wrong notion about pawnshops; he used to feel the same way.

"A buddy of mine used to go pawnshopping," he said, "but I had never truly been inside one. The first time I walked in, I thought, 'Oh my goodness, it's well-lit.' I was expecting, you know, the dark, dusty places from the '30s and '40s."

Coston grew up in a military family and moved to Fairbanks in 1973. After his father retired a few years later, the family moved over to North Pole.

"Oh, I loved it there," Coston said. "I could hop on my snowmachine and go anywhere from my own house."

After graduating from high school, Coston worked for Fred Meyer and was soon promoted to assistant manager at the Kenai store. He stayed there a few years and then headed up to Anchorage to be with his sister while deciding what to do next. When a position opened at Cash Alaska, he applied and found it to his liking. Three years later, he moved over to Alaska 1st Cash. He married, and he and his wife, Karen, have two children, Kaitlin, 8, and Kylie, 6.

It takes a certain type of person to work with people under financial duress, someone who knows how to offer compassion and kindness, who can smooth transactions without blame, who can remain impartial without becoming distant. Coston manages to do this well. Even his boss, general manager Joe Liska, thinks so.

"He has a good sense of sales and serving customers," Liska said. "He has to deal with the frustrations of us and the customer, but he handles it well."

The stories are what matter to Coston. He remembered one about a young man and a ring.

"We had, gosh, this one guy," Coston said, "who spent big money on this ring, and he was going to give it to this lady." His voice slowed down and then picked up speed again. "She said no, so he brought the ring back, and man, we really felt for that guy. It's like, what do you say?"

Recently, an expensively dressed woman carrying a designer purse slumped in to pawn a bracelet. Coston nodded and opened the jewelry blue book. He held the bracelet up matter-of-factly, and they made a deal. The woman dropped her eyes and cupped her hand fiercely on the counter. She didn't give her story, and Coston had the sense not to ask. He didn't touch her or offer comfort, but his voice, when he asked her to fill out the loan card, was low and warm.

Imagine the sales floor: tools and floor polishers, leather chaps and motorcycle helmets, rifles and knives, movies and video games and one lone tripod perched awkwardly in the middle of the floor. DVD players and TVs line the far wall, while stereo equipment and musical instruments fill the front. In the middle, a wraparound jewelry counter squats importantly, watches and rings glittering with sad promise. Scattered here and there are golf clubs, a weed eater, snowboards and a paint sprayer.

It's hard not to wonder what kind of situation would force someone to pawn a vacuum cleaner, if someone right this minute was perhaps sitting alone in a bare apartment with a dirty floor. It's a depressing thought. Coston admitted to feeling it sometimes too.

Later, he stood at the counter, skimming through DVDs with a woman in a purple coat. He held each up to the light while the woman tapped her foot. Her hair was badly cut, and she'd been biting her fingernails; the skin around her fingertips was gnawed and torn. Coston pointed out scratches and smudges; he took his time.

"See this?" He traced a mark on a Disney disc. "If you have kids like I do, here's a hint. Take some dish soap, Dawn or whatever you have, and wipe them down and they're as good as new, you know."

Once she left, Coston recorded her information in the computer.

"I had one lady the other day bring in \$30 of DVDs to get medication for her child," he said slowly.

He'd known this lady for years; she was in the store often, sometimes buying, sometimes pawning and once in a while putting things on layaway. He knew things must have gotten better for her because she hadn't been in to pawn anything lately.

"I felt proud of her," he said.

Maybe it's the mentality of excess in our culture that entices people to buy what they can't afford, knowing sooner or later they'll end up pawning it for approximately a quarter of the price. Or maybe they feel so empty and powerless that buying gives them something to strive for. Whatever the case, it's evident some people overspend and end up paying for it later, dragging in large-screen televisions or expensive DVD players to pawn and often not returning to pick them up.

Coston hesitated to talk about this; he said he likes to give people the benefit of the doubt, to believe that people are simply doing the best they can.

"We do get a lot of repeat customers," he said with a sigh. "They put something in and get it back out again. Put it in and out again."

It isn't easy, he admitted, watching people sell their goods to pay for needed services. He said he finds it humbling to be continually confronted with people forced to live paycheck to paycheck. All it takes is one accident and their lives turn upside down.

That's why he sees his job as a win-lose situation: On one hand, he's extending money to people who have nowhere else to turn. On the other, the business depends on people desperate for quick cash.

Regardless of the underlying complexities, or perhaps because of them, Coston said he enjoys the one-on-one contact with his customers.

"When I think about leaving here," Coston said, "the hardest part is that I wouldn't be able to see my customers. I can't say I have a friendship with them, but we've built up this relationship. It would be hard to have to let that go."

Here are a some of the happy stories: The man in jeans and a long ponytail who comes in to pay off his guitar. He hugs the case to his chest, takes out the guitar and kisses it.

"You got it out, man," Coston yelled, and the man grinned and waved the guitar in the air.

The man in mechanic's overalls and his wife who fill up a cardboard box with DVDs, over 40 of them, and lug them over to the counter, so pleased about saving money that they're almost gloating. Or the woman who had to pawn a family heirloom and finally got it out, holding it to her chest and sobbing.

Coston summed it up this way: "You get to see someone having hard times, and you get to see them when they get themselves together. You get to know their heartaches and triumphs. That's like, wow. It's euphoric."

Cynthia Ritchie can be reached at [critchie@adn.com](mailto:critchier@adn.com).

Caption: Photo 1: Ordinary people_110603.tif Photo 4: Pawn1_110603.tif Graphic 2: Pawn3_110603.pdf
Graphic 3: Pawn2_110603.eps

Photos by ERIK HILL / Anchorage Daily News Ken Coston examines a knife brought in by a customer at Alaska 1st Cash on Fireweed Lane. Coston, the pawnshop's manager, accepted the knife and a gold ring from the customer but rejected an incomplete automotive compression test kit. Coston says he has grown attached to his customers. "You get to know their heartaches and triumphs. That's like, wow. It's euphoric," he says. Carmen

Lash, left, John Van Horn, general manager Joe Liska and manager Ken Coston staff the counter at the Alaska 1st Cash pawnshop.

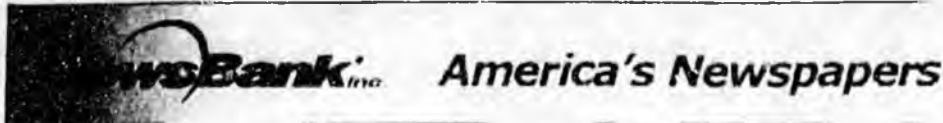
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Costly cash - At hefty rate, these lenders serve borrowers no one else will ALASKA PAWNSHOPS: A RISKY ALTERNATIVE

Anchorage Daily News (AK) - September 14, 2003

Author: PAULA DOBBYN Anchorage Daily News ; Staff

Janine Moren of Anchorage struggles with a bad credit record and a slim income. Like many Americans, the single mother of three stretches her paychecks as far as they'll go to cover expenses.

"I'm living payday to payday," said Moren, an auditing clerk with the Army National Guard in Anchorage.

When Moren, 35, ran into cash flow problems and mounting bills, she turned to a source that more and more Americans tap into these days: pawnshops. And that's where, Moren said, her money troubles boiled over.

The pawnshop signs were tempting in their offers of no-hassle payroll advances. As long as Moren had proof of a bank account, an income and a valid ID, she could borrow against her next paycheck, regardless of her credit history.

Moren said she took out a loan for \$500 from Cash Alaska so she could make a down payment on a car. Cash Alaska, a pawnshop, also offers longer-term loans of over \$500 and even mortgages at its four Anchorage locations. On payday loans, it typically charges a fee of 15 percent for the amount borrowed. So there's a \$15 fee on a \$100 loan, for example, or \$75 for \$500.

Burdened with debt, Moren could not repay her loan, so she wound up stuck not only with the \$75 fee but with a stinging \$1,500 judgment Cash Alaska won against her in small-claims court.

Payday lenders say their fees are a reasonable amount to charge high-risk borrowers for quick and easy cash. And lawsuits are an appropriate response to people who walk away from their debts.

TRIPLE-DIGIT ANNUAL RATES

But critics contend the proliferating industry preys on low-income people with poor financial education, uses coercive collection tactics and charges outrageous interest rates. The 15 percent fee on the amount borrowed can sound innocuous enough but it translates into triple digit percentage rates.

For example, if Moren repaid her loan in 15 days, she would pay 365 percent interest on an annual basis. If she repaid it in a day, the rate skyrockets to 5,475 percent.

Payday lenders can charge those rates because they skirt state usury laws, those that keep lenders from gouging consumers with crippling interest rates. Legislators exempted loans of \$500 or less when they wrote small-loan laws, which cap interest rates at 36 percent.

Critics including the Alaska Public Interest Research Group are hoping the courts, through a pending lawsuit, crack down on payday lending.

For Moren, any court ruling will come too late. The judgment against her, for triple damages plus court costs, stands.

The experience was a wake-up call for Moren, who said she quit going to places like Cash Alaska for loans.

"I've learned my lesson," Moren said.

"Payday lenders have made an entire industry by enticing people to live beyond their means," said Jean Anne Fox with the Consumer Federation of America, who recently visited Anchorage.

'IT'S A VALUABLE SERVICE'

People who make their living in the payday loan business say it fills a niche for people whom banks and credit unions traditionally shun. It's fast and convenient, with few questions asked. For people who have maxed out their credit cards, drained their bank accounts or are too embarrassed to ask family members for help, payday lenders provide an option, pawnbrokers and other lenders say.

"It's a valuable service" with thousands of happy customers, said Bud Wilson, owner of Cash Alaska.

"The argument that this industry is inherently deleterious to the public is, in fact, ridiculous," said Bob Rochford, deputy general counsel for Financial Service Centers of America Inc., a trade group for payday loan shops.

Rochford compared a payday loan to buying a gallon of milk at a convenience store. Sure, it'll cost more than if the shopper bought the milk at a supermarket. But they're paying for the service of buying the milk two blocks from their home at 4 a.m., he said.

"The industry (has been) pilloried by a group of do-gooder, ill-informed consumer organizations largely directed from the (Washington, D.C.) Beltway, where the reality of what goes on in America just doesn't sink in," Rochford said from his office in Hackensack, N.J.

Consumer scrutiny of payday lending has intensified as the industry rapidly sprouted over the past decade. The number of lenders offering payday advances and other fringe or subprime banking services, as they're commonly called, has shot up from virtually none in the early 1990s to more than 24,000 now, according to the Consumer Federation of America. These outlets lend \$27 billion a year and generate over \$4 billion in fees.

The problem with payday loans is not so much the one-time finance charge borrowers pay, it's the cycle of debt they tend to get drawn into, Fox said. Many people roll over their payday loan until their next pay period or subsequent ones, and can end up paying more in interest than the original amount borrowed, she said.

"People who are cash-strapped to begin with are very unlikely to be able to pay it back in full," Fox said.

That's not what Wilson and his wife, Deborah Fink, see at their pawnshops, they said.

"The vast majority of people don't roll them over," Wilson said.

Wilson said pawnshops have to charge much higher fees than traditional lenders for a number of reasons. Payday loan clientele run a higher risk of defaulting than people who might go to banks or credit unions for loans. Between 12 and 14 percent of all the checks bounce, Wilson said. Last year, he got stuck with nearly \$1 million in bad checks. Typically he writes off about \$200,000 a year that he can't collect, Wilson said.

Wilson estimates he has lent \$8.2 million in payday advances in the past year. Even with a \$200,000 loss from bad checks he can't collect, there's still the margin for a healthy profit considering the 15 percent finance charge on payday loans.

ISSUE GOES TO COURT

Whether people like Wilson and his wife will be able to continue making payday loans may end up being decided by a judge. Attorneys with Alaska Legal Services, on behalf of an Anchorage woman who got deep in debt to a payday lender, are arguing that the state's general usury law should cover payday lenders.

"The plain language of the statute is on our side," said Goriune Dudukgian, the Alaska Legal Services attorney handling the case.

Attorneys for payday lenders are challenging that argument. They say the Alaska Small Loans Act exempts loans of \$500 or less by pawnbrokers and small loan shops from all interest rate regulations, so the usury law doesn't apply.

The case is set to go to trial in February. Whoever loses is expected to appeal the decision to the state Supreme Court.

Dudukgian said he's disappointed the state hasn't applied the general usury law to payday lenders to crack

down on the interest rates they're charging.

Cindy Drinkwater, an assistant attorney general, said her office is concerned about some of the practices of payday lenders in Alaska and is awaiting the outcome of the Legal Services case for guidance. She said the usury law's applicability isn't settled but that the court's ruling should help clarify the matter.

Meanwhile, Moren, the military mom, is trying to get her finances in order and put her scrape with Cash Alaska behind her. Moren turned to Consumer Credit Counseling Service of Alaska for help. The nonprofit organization has consolidated Moren's debts and reduced her monthly payments to a manageable sum.

Moren went to credit counseling at the urging of her supervisors. She needed a security clearance to advance in her military career, but her bad credit was holding her back, Moren said.

"They told me, 'You've got to take care of these bills.' "

Daily News reporter Paula Dobbyn can be reached at pdobbyn@adn.com or 257 4317.

Caption: Photo 1: Quote marks_091403.jpg Photo 2: LoansMoren_091403.jpg Photo 3: cash.alaska_091403.jpg Photo 4: 14 Payroll advance char.2_091403.jpg

Illustrated by Ron Engstrom Anchorage Daily News ILLUSTRATION SHOWS INTEREST RATES. ERIK HILL / Anchorage Daily News Single mom Janine Moren shown with daughters Jessica, 10, left; Jade, 7; and Jasmine, 11, took out a payday loan for \$500 that she could not repay. She was sued by the lender, who was awarded \$1,500. Moren has since worked with Consumer Credit Counseling of Alaska to consolidate debt and get her finances in order. "I've learned my lesson," Moren said. MARC LESTER / Anchorage Daily News Bud Wilson is president of Cash Alaska Pawn and Bargain Center. Wilson said pawnshops have to charge much higher fees than traditional lenders for a number of reasons, including a high default rate.

Edition: Final

Section: Main

Page: A1

Correction: Correction A story about payday loans on Page A-1 Sunday incorrectly stated that Cash Alaska won a judgment against borrower Janine Moren for \$1,500. Alaska 1st Cash has a judgment against Moren for \$1,595.57. Cash Alaska's judgment is for a smaller amount.

Record Number: 283224

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FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SSHB 258
 () Publish Date: _____

Identifier (file name): HB258SS-CED-OL-03-25-08
 Title: Pawnbrokers

Dept. Affected: DCCED
 RDU: Corp. Bus & Prof Licensing (117)
 Component: Corp. Bus & Prof Licensing

Sponsor: Roses
 Requester: House Labor & Commerce

Component Number: 2360

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	34.5		34.5	34.5	34.5	34.5	34.5	34.5
Travel	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Contractual	1.0		1.0	1.0	1.0	1.0	1.0	1.0
Supplies	1.0		1.0	1.0	1.0	1.0	1.0	1.0
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	36.5	0.0	36.5	36.5	36.5	36.5	36.5	36.5

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES (117)	73.0	0.0	0.0	73.0	0.0	73.0	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 Interagency Receipts	36.5		36.5	36.5	36.5	36.5	36.5	36.5
TOTAL	36.5	0.0	36.5	36.5	36.5	36.5	36.5	36.5

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time								
Part-time	1	0	1	1	1	1	1	1
Temporary								

ANALYSIS: (Attach a separate page if necessary)

This legislation places the licensing of pawnbrokers within the Department of Commerce, Community, and Economic development with an effective date no later than July 1, 2009. The division understands there would be approximately 30 licensees under this legislation.

The program would be required to cover its costs with licensing fees under AS 08.01.065, and revenue generated by program fees would be required to cover its full operating costs.

Prepared by: Chris Wyatt, Administrative Officer
 Division: Corporations, Business, and Professional Licensing
 Approved by: Emil R. Notti, Commissioner
 Agency: Commerce, Community, and Economic Development

Phone (907) 465-2572
 Date/Time 3/25/08 11:46 AM
 Date 3/25/2008

FISCAL NOTE

**STATE OF ALASKA
2008 LEGISLATIVE SESSION**

BILL NO. SSHB 258

ANALYSIS CONTINUATION

Total PERSONAL SERVICES: \$36.5

- Investigator III position, PPT, Range 18, \$34.5

A permanent part-time Investigator is needed to ensure reports and pawnbroker operations specified in the bill are being fulfilled. Licensees are required to file a biennial report detailing transactions, aggregate amount financed, number of items of pledged property, and value of pledged property returned. There are also recording requirements, transaction agreements, customer and transaction limitations and other specific requirements that an Investigator would be required to ensure compliance.

The licensing requirements of Pawnbrokers established in the bill are minimal. As such, the department anticipates that a part time Investigator will be able to fulfill both licensing and enforcement needs of this program.

Total CONTRACTUAL SERVICES: \$1.0

- Printing costs for applications.

Total SUPPLIES: \$1.0

To fund daily operating supplies of the program.

TOTAL FISCAL NOTE: \$36.5

REVENUE & FUND SOURCE: Revenue will be generated by individuals who seek licensure under this program. Licensing fees will be receipt supported services and will be established to cover direct and indirect program costs.

HB

271



Alaska Conservation Alliance

Uniting for Alaska's Future

February 15, 2008

The Honorable Andrea Doll
House of Representatives
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Representative Doll,

The Alaska Conservation Alliance (ACA), a consortium of 40 Alaska-based conservation groups with a combined membership of 38,000 Alaskans, fully supports HB 271 and would like to commend and thank you for your efforts to advance this important piece of legislation.

Phasing out the manufacture and sale of products that contain Polybrominated Diphenyl Ethers (PBDEs) is incredibly important to the health and safety of Alaskans, our fire fighters and the environment. While we recognize that flame retardants are important for safety, PBDEs have been shown to negatively impact brain development and memory, reduce sperm counts in adults, cause thyroid problems and one type of PBDE, deca-BDE, is listed as a possible carcinogen by the EPA. Safe flame retardant alternatives already in use in other US states and abroad include substituting non-brominated chemical additives, substituting materials that don't require PBDEs and changing the design and construction of products to be less flammable.

PBDE levels in North America are rising 10-100 times higher than world averages and are found in everything from household dusts to meat and vegetables. PBDEs are stored in fat cells and can be passed from mother to child through umbilical cord blood and breast milk. The good news is that countries banning the manufacture and distribution of PBDEs have seen their levels of the chemical decrease. This gives us great hope that by quickly passing and implementing your bill Alaskans can have less exposure to these dangerous flame-retardants.

According to the EPA, 11 states—including California, Maine, Michigan and New York—have bans on two major types of PBDEs. Electronics companies Dell, Canon, Hewlett-Packard, Ericsson, Mitsubishi, and Sony have stopped using PBDEs. Mattress companies Sealy, Serta, Simmons and Spring Air, also do not use deca or any PBDEs. If our products are already being made without PBDEs shouldn't Alaskans enjoy the same protections from PBDEs as the residents of the 11 states and the entire European Union?

The Alaska Conservation Alliance would like to thank you again for introducing and supporting this important piece of legislation.

Sincerely,

Kate Troll
Executive Director

cc: The Honorable Representative Gruenberg The Honorable Representative Olson
 The Honorable Representative Neuman The Honorable Representative Gatto
 The Honorable Representative LeDoux The Honorable Representative Buch
 The Honorable Representative Ramras The Honorable Representative Gardner

Rep. Kurt Olson, Chair
House Labor and Commerce Committee
Juneau, AK 99801

February 15, 2008

Dear Rep. Olson:

I am writing to express my concerns with HB 271 – "Flame Retardants and Toxic Chemicals" introduced by Rep. Doll.

My company, Alaska Supply Chain Integrators, is a provider of supply chain management services (sourcing, procurement, vendor management, logistics, etc.). Our primary customer base is oil and gas companies engaged in production and exploration on Alaska's North Slope.

In the course of our services, we procure, manage, and ship materials at the request of our customers within given parameters. Throughout this process, we ultimately take possession of these materials for the purposes of shipping/lead preparation for deployment to various receiving locations throughout the North Slope fields.

My concern stems from the inclusion of "distribute" (page 1, lines 8, 10, 13 through page 2, line 2) and the unclear definition of "distribution" (page 5, lines 4-5). Given this language, I believe it is very plausible that our company and companies such as ours may be unintentionally included in these prohibitions and thus exposed to legal liability. In the course of researching this issue, I have spoken with the sponsor's office. The sponsor's staff did not reasonably believe that we would qualify under the prohibitions. After reviewing the bill several times, I do agree that it is not an absolute certainty. However, the lack of clarity is of some concern. We do not sell or manufacture any of the items referenced in the bill, but I do believe we may fall under the definition of "distribution". It is my hope that this issue could be clarified prior to the bill being moved from committee.

I appreciate your time.

Heath E. Hilyard

Heath E. Hilyard, Business Development and External Affairs
ASCI
12150 Industry Way, Bldg. Q2
Anchorage, AK 99515
(907)348-1620
Heath.Hilyard@ascillc.com

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 271
() Publish Date: _____

Identifier (file name): HB271-DEC-SWM-2-14-08 Dept. Affected: Department of Environmental Conservation
Title: Flame Retardants and Toxic Chemicals RDU: Environmental Health
Component: Solid Waste
Sponsor: Representative Doll and Representative Gruenberg
Requester: House Labor & Commerce Component Number: 2344

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	167.0	0.0	167.0	167.0	167.0	167.0	167.0	167.0
Travel	22.0	0.0	9.0	9.0	9.0	9.0	9.0	9.0
Contractual	65.0	0.0	60.0	60.0	60.0	60.0	60.0	60.0
Supplies	14.8	0.0	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	268.8	0.0	237.0	237.0	237.0	237.0	237.0	237.0

CAPITAL EXPENDITURES	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	268.8	0.0	237.0	237.0	237.0	237.0	237.0	237.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Litter Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	268.8	0.0	237.0	237.0	237.0	237.0	237.0	237.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time	2.0	0.0	2.0	2.0	2.0	2.0	2.0	2.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

This legislation would require the establishment of a new section under the Solid Waste/Pesticide Program within the Department of Environmental Conservation. This section would be comprised of two new positions, an Environmental Program Specialist III and a Research Analyst III.

Once established, this section would implement the requirements of the legislation including notifying manufacturers of the prohibitions related to Polybromodiphenyl ethers (PBDEs), developing and conducting an educational outreach program for retailers, conducting inspections of retail establishments, and taking enforcement action against retailers and/or manufacturers, if necessary.

(Continued on page 2)

Prepared by: Kristin Ryan, Director
Division: Environmental Health
Approved by: Larry Hartig, Commissioner
Department of Environmental Conservation

Phone 907-269-7644
Date/Time 2/14/08 11:25 AM
Date 2/14/2008

FISCAL NOTE

**STATE OF ALASKA
2008 LEGISLATIVE SESSION**

BILL NO. HB 271

ANALYSIS CONTINUATION

(Continued from Page 1)

The new section would coordinate with the Department of Health and Social Services (DHSS) to research the hazards and risks associated with flame retardants. Separately, this group would develop a list of persistent bioaccumulative toxic chemicals. The results of these two research efforts would be summarized in a report to the legislature. The report would include recommendations to protect public health and the environment from brominated flame retardants and a comprehensive strategy and action plan to phase out sources of the persistent bioaccumulative toxic chemicals identified during the research effort. This report would be revised and updated biannually to include the latest research and information available.

DEC estimates that the additional costs, beyond the current costs for administering the Solid Waste and Pesticide Program, would be \$268.8 for the first year, and \$237.0 every year, thereafter.

The first year includes one-time position set up costs to cover supplies, computers, and office furniture, and thereafter includes annual ongoing position support costs.

It is anticipated that travel costs will be higher in the first year to cover the initial staff training and for the promulgation of regulations. Ongoing travel costs include monitoring, outreach, inspections of product distributors, and continued training.

Contractual and supply costs include the development, publication, and distribution of educational materials. Contractual costs are included for a Reimbursable Services Agreement with DHSS for toxicology research and consulting.

A capital project is included for the design and implementation of an information system to track manufacturers and retailers related to PBDE products.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 271
 () Publish Date: _____

Identifier (file name): HB271-DPS-FLS-02-14-08 Dept. Affected: Public Safety
 Title: "An Act relating to flame retardants and to the manufacture, sale, and distribution of products . . ." RDU: Fire and Life Safety
 Component: Fire and Life Safety Operations
 Sponsor: Representative Doll
 Requester: House Labor and Commerce Committee Component Number: 494

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
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	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 Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

HB 271 bans the manufacture, sale, and distribution of certain products that contain certain chemical flame retardants. HB 271 is not expected to have a fiscal impact on the Division of Fire and Life Safety.

Prepared by: David L. Tyler, State Fire Marshal
 Division: Division of Fire and Life Safety
 Approved by: Walt Monegan, Commissioner
 Department of Public Safety

Phone (907) 269-5491
 Date/Time 02/14/08 3:45pm
 Date 2/14/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 271
 () Publish Date: _____
 Dept. Affected: Health & Social Services
 RDU Public Health
 Component Epidemiology

ID(File name) HB271-DHSS-EPI-02-14-08
 Title FLAME RETARDANTS AND TOXIC CHEMICALS
 Sponsor DOLL
 Requester HOUSE L&C

Component No. 296

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies		30.0	30.0	30.0	30.0	30.0	30.0	30.0
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		30.0	30.0	30.0	30.0	30.0	30.0	30.0

CAPITAL EXPENDITURES								
CHANGE IN REVENUES (0)								

FUND SOURCE		(Thousands of Dollars)						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts								
1003 GF Match								
1004 GF								
1037 GF/Mental Health								
Interagency Receipts		30.0	30.0	30.0	30.0	30.0	30.0	30.0
Other(Specify Type-do not abbreviate)								
TOTAL		30.0	30.0	30.0	30.0	30.0	30.0	30.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS:

(Attach a separate page if necessary)

This legislation would require the establishment of a new section under the Solid Waste/Pesticides Program within the Department of Environmental Conservation (DEC). This new section will coordinate with the Department of Health and Social Services (DHSS) to research the hazards and risks associated with flame retardants. This group, separate from DEC, will develop a list of persistent bioaccumulative toxic chemicals. The results of the DEC and DHSS research efforts would be summarized in a report to the Legislature. This report will include recommendations to protect public health and the environment from brominated flame retardants and a comprehensive strategy and action plan to phase out sources of persistent bioaccumulative toxic chemicals identified during the research effort. This report will be revised and updated biannually to include the latest research and information available. (Continued on Page 2)

Prepared by: Beverly K. Wooley, Director
 Division: Public Health
 Approved by: Karleen Jackson, Commissioner
 Agency: Department of Health and Social Services

Phone 465-3090
 Date/Time 02/14/2008
 Date 02/14/2008

FISCAL NOTE

**STATE OF ALASKA
2008 LEGISLATIVE SESSION**

BILL NO: HB 271

ANALYSIS CONTINUATION

(Continued from Page 1)

DHSS will enter a Reimbursable Services Agreement (RSA) with DEC to support a portion of salary and benefits for a Health Program Manager III that serves as a DHSS Toxicologist; this position will provide toxicology research and consulting . The research and consulting will be reflected in the summarized report to the Legislature as well as inclusion in the biannual updates.

State Representative Kurt Olson, Chairman
State House Labor and Commerce Committee
State Capitol, Room 208
Juneau, AK 99801

February 11, 2008

Dear Representative Olson:

There have been articles recently in the Daily News and other publications talking about an effort to ban certain fire retardants.

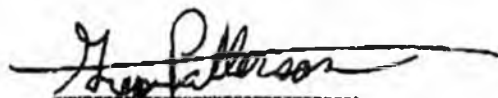
Your committee has a bill before you called House Bill 271 dealing with the banning of these retardants. Because I am interested in human health, the environment and safety this issue has peaked my interest.

After reading the outline of the bill I have some questions.

- 1) Why is the ban to be placed on some products i.e. bedding etc. but at the same time other products are exempt? If it is so dangerous shouldn't it be on all products across the board that could pose a danger?
- 2) The bill states that the department in charge of the enforcement will review the hazards after it becomes law. (They will review the hazards after it becomes law??? I have to scratch my head on this one.) Isn't this putting the cart before the horse? Because the scientific community is still out on the dangers of these retardants shouldn't we wait until the Center for Disease Control has finished its definitive research before making this law? It seems that although well intentioned, the ones who wish to rush this into law are running around screaming that the house is on fire when it might be that it is just someone with a book of matches in their pocket. And without the definitive research how many business's will be disrupted and have to incur the substantial costs of complying only to find out that the benefits of these life saving fire retardants far outweigh the dangers of using them? How many people will be burned if these proven retardants are taken off the market?
- 3) Let us be very clear, the studies of these bio-accumulative toxins do indicate that dangers under "certain exposures and controls" potentially are very bad. If you will go to www.atsdr.cdc.gov/toxprofiles/tp68-c4.pdf you can read the CDC's study. One of the first things that the study states is that "conditions have to be ideal" to enter the environment. The study also states that "exposure has to be acute and repeated."

So Representative Olson, I would urge you to wait until all the data is available. It just isn't clear yet that the way these chemicals are being used meet the standards that actually pose dangers to us. And I am certain that people who are burned and have to go the burn units certainly would prefer not to suffer that agony.

I am sincerely hoping that your deliberations are insightful and that you continue to protect us.



Greg Patterson

Greg Patterson
1513 Kinnikinnick
Anchorage, AK
99508

cc. Labor and Commerce Committee members



Alaska State Legislature

Representative Andrea Doll

House District 4

TO: Representative Kurt Olson

FROM: Representative Andrea Doll

DATE: January 22, 2008

RE: Hearing Request for HB 271, "An Act relating to fire retardants and to the manufacture, sale, and distribution of products containing flame retardants; relating to bioaccumulative toxic chemicals; and providing for an effective date."

I would like to request a House Labor and Commerce hearing on HB271. This bill will ban toxins commonly called "PBDEs" (Polybrominated Diphenyl Ethers), which are flame retardant chemicals used in manufacture of industrial fabrics (mattresses, carpet pads, and upholstery), as well as the plastic casings of computers and other electronic devices.

There are many reasons for banning PBDEs in Alaska. Although an effective fire retardant, studies show that PBDEs generate toxic fumes when burned, and are a health hazard for firefighters. Additionally, PBDEs are shown to be "persistent organic pollutants" which accumulate in fat tissues and breast milk. They negatively affect brain development in young children, including learning and memory functions. Further research shows that global PBDE pollution tends to flow towards northern latitudes in air and water currents. This and the tendency to accumulate in fat tissues have led to significantly elevated toxin levels in coastal Native Alaskans and marine mammal populations.

For information purposes, this bill has the support of the Department of Health and Social Services, as well as the Alaska State Firefighters Association.

I believe this is an important issue for Alaska. Other states are moving forward to ban these chemicals, and I believe we should join in leadership on this issue. The importance of our moving forward on this issue is underscored by the progress of bans in other states, which will inevitably lead to a need for companies to "dump" products containing PBDEs in states without bans.

Thank you very much for your consideration of this request. Please let me know if you need anything further in order to schedule the bill for a hearing.

2/7/08



Alaska State Legislature

Representative Andrea Doll

House District 4

Sponsor Statement

HB 271: Flame Retardants and Toxic Chemicals

Introduction

This bill phases in a ban on the manufacture and sale in Alaska of certain products that contain chemicals, called Polybrominated Diphenyl Ethers (PBDEs). PBDEs are flame retardant chemicals used in the manufacture of industrial fabrics (mattresses, carpet pads, and upholstery) as well as the plastic casings of computers and other electronic devices.

Health Issues

Studies show that PBDEs negatively affect brain development in young children, including learning and memory functions. They also cause thyroid problems, slow sexual maturation, and significantly reduce sperm counts in adults. Additionally, approximately 15 million Americans, 5% of the population, have levels of PBDE in their bloodstream in excess of federal health guidelines.

Fire Safety Issues

Current research shows that PBDEs generate toxic fumes (dioxins and others) when burned, and are a health hazard for firefighters. The International Association of Fire Fighters (IAFF) supports banning these substances due to these risks. Although PBDEs are effective fire retardants, alternatives are readily available.

Environmental Issues

PBDEs are shown to be "persistent organic pollutants", meaning they accumulate in the environment. The chemicals accumulate in fat tissues and breast milk. This tendency to accumulate in fat tissues, has led to significantly elevated exposure in marine mammals and the coastal Native Alaskan populations that depend on these organisms for the bulk of their diet.