

ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 SSA STA 12741

SB

19

SENATE COMMITTEE REPORT

DATE: 1/26/07

FURTHER: Finance

DATE TURNED
IN TO OFFICE: _____

State Affairs Committee considered SENATE BILL NO. 19

SB 19 EXEC. BRANCH ETHICS: INTERESTS & ACTIONS

"An Act relating to a public officer's taking official action regarding a matter in which the public officer has a financial interest; and defining 'official action' under the Alaska Executive Branch Ethics Act and related law."

and recommends:

- be replaced with SCS or CS SB 19 (STA)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:

- Same Title
 New Title

HOUSE BILL:

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

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
LAW				✓	
ADMN				✓	

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
		X			
				X	
		✓			
				✓	
CHAIR:	McLeure	X			

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB019-LAW-OAE-1-18-0
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
 Title An Act relating to Executive branch ethics and RDU Civil Division
the financial interests of public officers. Component Opinions, Appeals & Ethics
 Sponsor Senator French
 Requester Senate Judiciary Component No. _____

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
 This bill amends the Ethics Act. It is unclear whether these amendments will change the department's workload. The amendments may result in increased detailed evaluation of the business interests of public officers; however, the budget impact is indeterminable since it is impossible to predict with any certainty how many complaints or questions will arise.

Prepared by: Robert Meiners, Acting Director Phone 465-5427
 Division Administrative Services Division Date/Time 1/18/07 11:07 AM
 Approved by: Robert Meiners for Talis Colberg, Attorney General Date 1/18/2007
 Agency Department of Law

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB019-DOA-DOP-1-22-07
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title Exec Branch Ethics: Interests & Actions RDU Central Administrative Services
 Component Personnel
 Sponsor Senator(s) French, Elton, Mcguire, Wielechowski..
 Requester Senate Judiciary Component No. 56

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	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	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
Grants & Claims	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
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts	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
1004 GF	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
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
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 will have no fiscal impact on the Division of Personnel. May require personnel board review.

Prepared by: Dianne Kiesel, Director
 Division Division of Personnel & Labor Relations
 Approved by: Kevin Brooks, Deputy Commissioner
 Agency Department of Administration

Phone 465-4429
 Date/Time 1/22/2007 8:25 a.m.
 Date 1/22/2007

Alaska State Legislature



Senator Hollis French

Sponsor Statement

SB 19 – Executive Ethics

SB 19 is a responsible step towards making the Executive Branch Ethics Act clearer, easier to understand, and easier to follow.

Currently the Ethics Act does not spell out clearly what sorts of financial interests constitute a conflict of interest. The bill sets out a series of bright financial lines for executive branch employees. For example, current law provides no guidance whatsoever as to the size of investment that an executive branch employee may own and still take official state action that affects the investment. SB 19 declares that either \$5000 worth of stock, or one percent of a company's stock, whichever is *less*, means that the executive branch employee must not be involved in state actions that impact that investment. While it seems like common sense to have such a concrete definition, current law does not provide one.

It is important to keep in mind that the key question is whether an executive branch employee owns the financial interest and then performs an official act that affects the financial interest. Either one without the other is not a violation.

The bill also describes with particularity other sorts of forbidden financial interests. An executive branch employee may not own a controlling interest in a business, may not own an equity interest in a business worth more than \$5000, may not be a member of a company's board of directors and may not be an employee of a business.

The bill also expands the definition of "official action" to more clearly capture the day to day duties of our executive branch employees.

The state's ethics laws should be clear to executive branch employees, and to the public those employees serve. Please join me in supporting SB 19.

Alaska State Legislature



Senator Hollis French

SB 19 – Executive Ethics

Sectional Analysis

Section 1

Line 10 replaces an “or” in the current statute with an “and”. The effect of the change is to add the condition that the action taken or influence exerted by the officer have an insignificant or conjectural effect on the matter.

Line 11 and 12 adds some explanatory words to the current statute to make it clearer.

Page 1, lines 12 – 14, through page 2, lines 1-16 adds a list of business interests that would be forbidden under the executive act ethics code. The construction of the list is such that any single item possessed by an officer of a member of the officer’s immediate family would be sufficient to preclude that officer from taking official action in connection with the interest.

Section 2

Lines 18 – 21 expand the definition of official action to include most of the day-to-day activities of executive branch employees.

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Anchorage Daily News

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Personnel board calls for ethics act revision

RENKES: Statement calls probe by Bundy appropriate.

By PAULA DOBBYN
Anchorage Daily News

(Published: March 12, 2005)

Alaska's executive branch ethics act is vague about what a governor should do when confronted with a possible ethics violation by his attorney general, and the law should be clarified, members of the state personnel board said Friday.

"Anytime you can have a law that you can get three or four different opinions about, it needs to be revised," said Debra English, chairwoman of the three-member board.

The matter arose earlier this week when the personnel board unveiled a settlement with former Alaska Attorney General Gregg Renkes, who resigned last month amid conflict-of-interest allegations involving his stock ownership in a company he promoted as a state official. By settling with Renkes, the board dismissed a complaint by Rep. Eric Croft, D-Anchorage, and former Wasilla Mayor Sarah Palin, a Republican.

Croft and Palin argue that the governor should have referred the Renkes matter to the personnel board in October, immediately after a newspaper story reported Renkes' stock holdings, rather than waiting until December, when he received a formal complaint from Palin and Croft. The two said Murkowski should not have hired Anchorage attorney Robert Bundy to investigate, as he did in October.

The board appeared to agree initially.

In a written statement Tuesday, English said the ethics act is "quite clear that alleged ethics violations by the attorney general are to be investigated by an independent counsel selected by the state personnel board." She reiterated that position in an interview.

But Thursday, the board issued a second statement saying Gov. Frank Murkowski acted appropriately by hiring Bundy.

"There is nothing in the Act prohibiting the governor from hiring an independent investigator to investigate potential misconduct, before the formal complaint was filed," the board said.

The board decided it needed to clarify its position, said Ron Otte, a personnel board member and former state public safety commissioner.

"Our initial press release wasn't clear," Otte said Friday. "There was probably a fair amount of confusion."

Both Otte and English said Friday that Murkowski acted appropriately when Croft and Palin filed their complaint in December. As required by law, he referred it to the personnel board, which appointed Anchorage labor lawyer Tom Daniel to investigate the matter.

As far as what Murkowski should have done in October, upon first learning of Renkes' potential conflict from the newspaper, the law doesn't provide specific guidance, they said.

A governor could seek an advisory opinion from the attorney general under normal circumstances, but that wasn't an option in this case because Renkes, the state's top lawyer, was the subject of the allegation, Otte said.

But as Renkes' ethics supervisor, Murkowski was charged with determining if his attorney general violated the ethics act and he chose to do that by hiring Bundy to find out, which is reasonable, Otte said.

But the law doesn't say how or when Murkowski should have acted in such circumstances, and that should be clarified, he said. "It's not a well-written law."

In retrospect, it might have been better for the governor to refer the matter to the personnel board from the beginning, Otte said, but there is nothing in the law that required Murkowski to do so.

Palin on Friday again criticized the governor's initial response to the Renkes revelations and said she suspected that someone in the governor's office pressured the board to say explicitly that Murkowski had not violated ethics act procedures.

"It's patently false," responded Becky Hultberg, Murkowski's spokeswoman.

Daniel, the independent counsel hired by the personnel board, said he was not asked by anyone in the governor's office to change the board's position. He also took issue with Palin and Croft's contention that they helped negotiate the terms of the Renkes settlement, which included the release of thousands of pages of depositions.

Although the board has dismissed the Renkes complaint, the settlement requires Daniel to offer a legal opinion as to whether the former attorney general's \$126,000 investment in KFx Inc. was significant enough to constitute a conflict of interest. Bundy concluded that it was not.

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

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Report takes new view of Renkes**PERSONNEL BOARD: Ex-official's interest in trade deal is termed "significant."**By MATT VOLZ
The Associated Press*(Published: April 16, 2005)*

A report released Friday says former Attorney General Gregg Renkes' interest in a trade deal he helped broker was "significant," a finding that conflicts with an earlier investigation that cleared him of all but one violation of the state's ethics code.

Thomas Daniel, the state personnel board's independent counsel, concluded that Renkes' ownership of between \$71,880 and \$124,680 in KFx Inc. stock was significant as defined by Alaska law.

Daniel stopped short of saying Renkes violated ethics laws. A finding of legal significance is not the same as a conclusion that the law was broken, he wrote. A complete investigation and hearing would have to be conducted, which cannot happen because the case was settled in March, he wrote.

The finding contradicts the conclusion of an investigator hired by Gov. Frank Murkowski that said Renkes' holdings fell short of that "significant" interest and therefore he did not breach state ethics laws.

Renkes resigned in February in the midst of the scandal. No action will be taken against him as a result of the new findings because of the settlement.

Neither Renkes nor Daniel could be reached for comment Friday.

"This has not been an easy decision because of the absence of clear guidance in the Alaska Ethics Act and the regulations interpreting it," Daniel wrote in his report. "The fact that another well-respected lawyer has reached a different conclusion demonstrates that reasonable minds can differ about the application of the act to the facts here."

Daniel urged a clarification of the state's ethics laws.

Daniel's conclusions were based on the report by former U.S. Attorney Robert Bundy, the investigator hired by Murkowski.

KFx has a patented drying process that was to be part of preparing Beluga coal for sale to Taiwanese utilities. Renkes helped put together an agreement between Alaska and Taiwan to promote the export of coal while owning the stock. The allegations against Renkes accused him of helping put the deal together knowing KFx, and his stock, would benefit.

Renkes denied a conflict of interest and said he resigned because of what he characterized as continued personal attacks.



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Experts question Renkes' large holding of KFx stock

PORTFOLIO: Shares were the biggest single portion of attorney general's investments.

By PAULA DOBBYN and BILL WHITE

Anchorage Daily News

(Published: October 31, 2004)

KFx Inc., a Denver company seeking to convert Alaska's low-grade Beluga coal into a high-energy fuel, represented an unusually large part of state Attorney General Gregg Renkes' investment portfolio, according to independent financial experts.

KFx -- Renkes' most actively traded stock -- was worth \$116,000, about 14 percent of the \$817,458 portfolio at the end of September. That sizable percentage made it the most important holding in the attorney general's account and gave him an "overweighted" position in KFx compared to a typical diversified portfolio, according to investment professionals. The second biggest holding, General Electric, was less than one-third the size of KFx, and at 4.5 percent of the total portfolio it represented a more typical size, the investment experts said.

KFx stands out as an obscure company in a 62-stock account packed with such Fortune 500 firms as Ford Motor Co., Procter & Gamble, Microsoft and McDonald's.

The attorney general's interest in KFx triggered a special investigation this month of whether he had a conflict of interest that pitted his personal finances against his official activities as attorney general.

Former U.S. Attorney Robert Bundy launched his investigation at Gov. Frank Murkowski's request after reports surfaced about Renkes' KFx holdings. The inquiry, which has an initial budget of \$25,000, is expected to focus on possible ethics violations and not insider trading, a question some analysts have considered since the information first came out.

KFx has a coal-drying technology it says could make the undeveloped Beluga coal deposits across Cook Inlet from Anchorage attractive to Taiwanese buyers. Renkes brought KFx to the attention of state trade officials, and he reviewed an agreement the state signed last month with Taiwan to promote the sale of Beluga coal processed with KFx technology.

Besides the stock holdings, it was revealed that Renkes was a former technical adviser and public affairs consultant for KFx and is a business partner with John Venners, brother of KFx's chief executive, Ted Venners.

Renkes has said he did not violate the state's ethics law. That law says in part: "A public officer may not use, or attempt to use, an official position for personal gain."

Renkes said he disclosed his stock ownership in public filings as required by law.

Renkes is a member of Gov. Murkowski's inner circle. The governor, through his spokesmen, has said he had no



Renkes (Photo by Marc Lester / Anchorage Daily News)

[Click on photo to enlarge](#)

knowledge of Renkes' holdings in KFx.

The extent of Renkes' stock holdings is disclosed in documents filed with two sources. He files an annual financial statement with the Alaska Public Offices Commission. And, as one of six trustees overseeing the state's \$28 billion Permanent Fund, Renkes must report his buying and selling of stocks and bonds.

The disclosures show Renkes' buying and selling activity from Oct. 23, 2003, through Sept. 28. The documents reveal a busy investor.

During those 11 months, he bought or sold shares on 373 occasions -- more than once a day on average.

KFx was not only the single largest holding by far, Renkes traded no other stock more heavily. He bought or sold KFx shares on 11 occasions during the past year, boosting his holdings to 13,100 shares as of Sept. 28.

Because of the controversy, Renkes said last week, he sold all his KFx stock on Oct. 6 and is donating his profits to charity.

The attorney general has said his broker managed his stock account and bought and sold shares on his own. However, Renkes could trade stocks in his retirement account himself, and the disclosure statements place 12,000 of the KFx shares in that account. The disclosures don't reveal which account his trades were made in. Renkes' Juneau broker, Dale Anderson, has said the retirement account has had virtually no trading activity.

While Renkes and Anderson say the broker did the trading over the past year, some financial experts find that hard to believe.

"It would be highly unusual for a broker to be adding to an overweighted position without the consent of the client," said David Gottstein, an Anchorage investment adviser and owner of Dynamic Capital Management. "I suspect each one of these trades was directed by Renkes."

Unless a broker has an extraordinary track record, it's unlikely that a client would have given him so much latitude to trade, said Richard Cohen, a University of Alaska Anchorage assistant professor of finance.

"If it were me, I would not let the guy do that much trading" without my input, Cohen said.

Renkes' ties to KFx date back to at least the late 1990s, when he was a consultant to the company.

KFx has a patented coal-drying technology called K-Fuel, designed to upgrade low-grade coal. The company has never commercialized the technology, has no operating plant and has some 20 years of losses. From 2001 through 2003, it posted only \$78,306 in revenue while amassing \$63.4 million in losses.

In October 2001, just over a year before he became Alaska attorney general, KFx gave Renkes 25,000 shares in payment for \$91,250 in professional services, according to filings with the U.S. Securities and Exchange Commission.

By the time he became attorney general in December 2002, Renkes had pared that stake to 12,000 shares, according to his financial disclosures.

But he grew his holdings while attorney general. Between Nov. 14, 2003, and last March 22, Renkes bought and then sold 3,500 shares of KFx.

The following months, he went on a buying spree: 500 shares on April 6, 200 shares on May 4, 100 more on the same day, 100 shares on June 15 and 200 more on Aug. 3.

Between a rising stock price and the extra shares, the value of Renkes' KFx holdings mushroomed from \$31,000 in late 2002 to \$115,542 a month ago on Sept. 28.

During this last spate of buying, state trade officials who work in the governor's office were negotiating a Taiwanese trade deal that involved KFx's patented coal-drying process, called K-Fuel. The agreement envisioned a \$1 billion project in the Beluga coal field west of Anchorage, including the construction of a \$350 million coal-drying plant that would use K-Fuel.

After Renkes introduced KFx to the state officials, he publicly promoted the company in a news conference, reviewed the trade agreement for the state and appeared at a signing ceremony in Anchorage in late September.

In a Sept. 30 interview, the attorney general said he limited his involvement in the trade discussions because he "didn't think it was appropriate for me to be the deal person. But I'm knowledgeable about Asia. I'm familiar with our resources. I'm trying to help develop that relationship."

"I try to avoid all appearances of impropriety," Renkes said.

Since then, Renkes has declined interview requests. Both Renkes and the governor's office have repeatedly stated that they won't talk about anything related to KFx until Bundy's report is finished.

Financial analysts, including Gottstein, who studied Renkes' portfolio and trading activity at the Daily News' request, say several obvious questions arise.

"What did he know, and when did he know it? Did he have influence on KFx after he came into office, and did he have material, nonpublic information of KFx at any time? In either case, a submission on a financial report doesn't cut it," Gottstein said.

Noting the five separate KFx buys totaling 1,100 shares during the past six months, finance professor Cohen said, "The timing is interesting since the Taiwanese delegation conferred with Alaska state officials beginning in March."

A person could be liable for insider trading if they misappropriate confidential material information about a company and then use that information to trade in the market, said Richard Painter, a law professor at the University of Illinois and an insider trading expert.

"If the governor's office says 'We want to include you in these negotiations,' and then the person trades on it without informing the source of the information, in this case the governor's office ... then you have misappropriation of information for purposes of trading," said Painter, adding that he doesn't know the details of the Renkes-KFx affair.

"I'm not saying he could be tagged for insider trading," Painter said.

Diane Denis, associate professor of finance at Purdue University, said, "He has to be buying shares while he knows information that the public doesn't know yet that is likely to have a material impact on the price of the stock.

Denis noted that insider trading cases can be hard to prove and that there's lots of "gray area" in the law. It would be up to the federal Securities and Exchange Commission's enforcement unit to investigate and decide whether to bring an action, Denis said.

Given the size of Renkes' KFx position, his past relationship as an adviser and his business ties with at least one KFx insider, he certainly had motivation to try to help the company, Cohen said.

"There's definitely something that doesn't smell good," he said.

Answers to some of the questions surrounding Renkes' activities may lie in a stack of state documents on KFX now under the control of Murkowski chief of staff Jim Clark.

Clark has delayed releasing those documents, sought under an Oct. 6 public records request, until sometime this week while he personally reviews them.

Reporter Paula Dobbyn can be reached at pdobbyn@adn.com or 257-4317. Business editor Bill White can be reached at bwhite@adn.com or 257-4311.

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From: RayinAK@aol.com [mailto:RayinAK@aol.com]

Sent: Wednesday, January 17, 2007 11:58 PM

To: undisclosed-recipients

Subject: Legislative proposal for "Open Honest Ethical Government.".. By Ray Metcalfe.

Setting a foundation for Open Honest Ethical Government. Proposed By Ray Metcalfe. January 17, 2007.

APOC IS BROKEN BEYOND REPAIR

APOC NEEDS TO BE DISCARDED AND REPLACED

The sheer magnitude of the improprieties of Ben Stevens, VECO, and Fish Marketing Board, which APOC allowed to persist for years, and in some cases defended, makes clear that now it is time to devise a new political watchdog. Think of the proposal below as a new framework for defining and enforcing of the dozens of new ideas that are likely to be proposed over the next few months.

- I propose that APOC be discarded and replaced with a new commission. I recommend a new commission, (at a minimum, those who set in judgment of complaints), be created within the Judiciary branch of government. I recommend this for two reasons.

1. APOC is dependent on funding from the legislators they are expected to police and their funding appropriations are subject to the Governor's veto. Every time APOC did the right thing, whether the complaint involved the Governor or a member of the majority in the legislature, their funding was either threatened or cut.

Once moved to the Judiciary, the Court would decide what portion of the Judiciary's budget APOC's replacement would receive and how much staff they required. I would expect it to include record keeping staff, staff to review and advise filers of incomplete filings, and at least one investigator unless an investigator in the judiciary it is determined to be in conflict with the constitutionally required separations of powers.

2. Currently, two of APOC's five Commissioners are hand picked by that standard bearer of Republican ethics Randy Ruedrich. Another two are picked by the leaders of the Democratic Party. All but one of the five Commissioners has a vested interest in protecting their fellow party members from accusations of improprieties. Future Commissioners should be picked by a majority vote of the Alaska Supreme Court, from a list of qualified applicants recommended by the Judicial Council.

- I propose that all responsibilities currently in the purview of the Legislative Ethics Committee be transferred to a newly formed Commission in the Judiciary and the existing Legislative Ethics Committee also be disbanded.
 1. In May of 2006, the State Senate passed a bill that would impose a \$5,000 fine on anyone who talks about filing or intending to file an ethics complaint against a Legislator. Former State Senate President Ben Stevens not only served on the ethics committee, he sat in judgment of himself and he voted in favor of the proposed \$5,000 fines mentioned above.
- The New Commission should be empowered to address all public corruption in whatever form it takes. I propose that all restrictions concerning what statutes APOC's replacement has the authority to enforce be lifted.
 1. APOC's most frequent excuse for not perusing a remedy for Ben Stevens' obvious fraud was to say "Not My Job." In example, when I brought clear evidence of bribery to the attention of APOC staff, I was told to take it up with the Legislative Ethics Committee on which Ben Stevens sat.
- I propose the creation of an "Anti-Public Corruption Unit" of not less than three "non-exempt" officer positions (non-exempt meaning they cannot be fired for investigating a powerful public official). Such an office should be within the State Troopers and filled by officers trained in the investigation of public corruption.
 1. Reducing public corruption will pay for its cost many times over. Given the opportunity to address an audience willing to listen long enough to understand the issues, I can prove beyond the shadow of a doubt that our failure to police public corruption has cost this state tens of billions of dollars due to unnecessary losses resulting from legislators and former governors who gave away our oil for a pittance of its real value to Alaska.
 2. If the FBI can find enough work cleaning up our act to busy dozens of agents for a couple of years, certainly we can find enough work for three new Troopers.
- I propose adding a forty-eighth title to Alaska's statutes, titled: "Open Honest Ethical Government."
 1. Alaska currently has forty-seven titles in its statutes. Alaska's statutes currently have a motley assortment of toothless disclosure, ethics, and campaign requirements that are strewn throughout our statutes and selectively enforced, depending on who's in power and who's asking for enforcement.
 2. Alaska's statutes need to be rewritten from top to bottom and consolidated under a single easy to understand "Title 48, Open Honest Ethical Government." Not only do such statutes need to be armed with serious criminal penalties, they need to include workable mechanisms for citizens' enforcement, to include an abbreviated mechanism of recall for legislators who refuse to comply.

(Abbreviated meaning a lower bar for recall. Signatures of 5% of those who voted in their last election, accepting that the question of whether or not they failed to comply should be appealable to the Courts. An abbreviated mechanism should not be available unless noncompliance can be demonstrated.

(Note: Contrary to Speaker Harris's assertion that "our current statutes appear to be working," they clearly are not. When enough signatures had been collected to begin the recall of Ben Stevens, the Division of Elections said we had no proof and tossed our petition. When we challenged the Division of Elections in Superior Court, the State provided Ben Stevens and the Division of Elections with seven attorneys to oppose us. The Court once again said "we had no proof." When the Superior Court ruled against us, Ben Stevens tried to shackle the volunteers for his recall with his attorney's fees. (We were not investigators and should not have been held to the proof standard nor should we have been expected to prove our case within the statutory limit of a 200 word complaint. I suspect the eventual proof of Ben Stevens' skullduggery will fill a filing cabinet.

Believing that Ben Stevens' term of office would be over before we could get a ruling from the Supreme Court, we elected to take our complaints to APOC, who tossed our complaints and/or recommended "no penalty" over and over again. When we took our evidence to the Attorney General, his three page reply could have been summed up in three words. "Go Screw Yourself." We may have won in the Court of Public Opinion, but had it not been for the FBI, the "Good Old Boy System" may well have saved Ben's Senate Seat. Clearly our current laws do not work.)

3. In addition to appropriate criminal penalties for Courts to consider, compliance with "Title 48" needs to be a condition of holding any elected office or appointed position.
4. It needs to be clear that the New Commission has the authority to remove any elected or appointed official who has refused to come into compliance, or in the Commission's opinion, attempted to conceal substantive information that should have been disclosed, or if they attempted to deceive the public. This authority should be subject only to a review of the Courts, and in the case of a member of the Legislature, subject to over rule only by the Courts or a majority vote of both houses of the Legislature.
5. Just as it is a crime for people of authority to remain silent over child abuse, it needs to be a crime for a fellow Legislator to remain silent when he or she possesses knowledge of bribery or other criminal infractions of the newly created "Title 48 Open Honest Ethical Government: AS:48:01-99"

(I provided every legislator with several packets of information demonstrating evidence of Ben Steven's bribery. I received two responses. (1.) We in the Senate Minority can't afford to rock the boat; we need to preserve what little working relationship we have with the Senate Majority. (2.) A note from a Member of the House Majority reading "Not in this office Ray")

- I propose a constitutional amendment barring all closed door meetings of the Legislature and all other forms of secrecy in the discussion, and/or conduct of Alaska's economic interests.
 1. As a legislator I was a reluctant to participant in closed door meetings. In hindsight, I cannot think of a single subject we ever debated behind closed doors, that wouldn't have better served the public's interest if it had been discussed in the light of day for all to see and hear.
 2. Any legislator who says the subjects discussed in closed caucus meetings "are restricted to strategy and procedural questions" is lying.

###

See same as above attached in an MS Word document.

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB019-LAW-OAE-1-18-0
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
 Title An Act relating to Executive branch ethics and RDU Civil Division
the financial interests of public officers. Component Opinions, Appeals & Ethics
 Sponsor Senator French
 Requester Senate Judiciary Component No. _____

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 (FY2006) cost: 0.0

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill amends the Ethics Act. It is unclear whether these amendments will change the department's workload. The amendments may result in increased detailed evaluation of the business interests of public officers; however, the budget impact is indeterminable since it is impossible to predict with any certainty how many complaints or questions will arise.

Prepared by: Robert Meiners, Acting Director
 Division: Administrative Services Division
 Approved by: Robert Meiners for Talis Colberg, Attorney General
 Agency: Department of Law

Phone 465-5427
 Date/Time 1/18/07 11:07 AM
 Date 1/18/2007

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB019-DOA-DOP-1-22-07
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title Exec Branch Ethics: Interests & Actions RDU Central Administrative Services
 Component Personnel
 Sponsor Senator(s) French, Elton, Mcquire, Wielechowski..
 Requester Senate Judiciary Component No. 56

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	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	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
Grants & Claims	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
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	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
1004 GF	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
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
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 will have no fiscal impact on the Division of Personnel. May require personnel board review.

Prepared by: Dianne Kiesel, Director
 Division: Division of Personnel & Labor Relations
 Approved by: Kevin Brooks, Deputy Commissioner
 Agency: Department of Administration

Phone 465-4429
 Date/Time 1/22/2007 8:25 a.m.
 Date 1/22/2007

SB

20

SENATE COMMITTEE REPORT

DATE: 1/26/07

FURTHER: Finance

DATE TURNED
IN TO OFFICE: _____

State Affairs Committee considered SENATE BILL NO. 20

SB 20 LEGISLATIVE DISCLOSURES

"An Act relating to disclosure to the Alaska Public Offices Commission of information about certain income received as compensation for personal services by legislators, public members of the Select Committee on Legislative Ethics, and legislative directors subject to the Legislative Ethics Act; and providing for an effective date."

and recommends:

- be replaced with SCS or CS SB 20 (STA)
- adopt previous SCS or CS _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

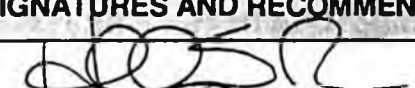


NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
ADMN	01/29			✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
ADMN	01/22			✓	

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	NO REC	AMEND
		X			
		X			
Linda Green		✓			
Brende		✓			
CHAIR: 	McClure	X			

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB020-DOA-APOC-1-22-07
 () Publish Date: 1/16/2007

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title An Act relating to disclosure to the Alaska Public RDU AK Public Offices Commission
Offices Commission of information about... Component AK Public Offices Commission
 Sponsor Senators French, Elton, McGuire, et al.
 Requester Senate Judiciary Component No. 70

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	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	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
Grants & Claims	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
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts	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
1004 GF	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
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
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 requires that dividends received from a limited liability company must be reported as a source of income on a legislator's financial disclosure statement. It also requires that when a legislator performs services, such as consulting services, he or she must provide a description of the services provided and the total number of hours that are spent performing the services. Lastly, it removes the requirement that amount of income need only be disclosed for sources that have a substantial interest in legislative, administrative or political action. Rather amounts will be required for all income in excess of \$1000.

Prepared by: Brooke Miles, Executive Director Phone 465-2200
 Division: Alaska Public Offices Commission Date/Time 1/22/2007 11:10 a.m.
 Approved by: Melanie Millhorn, Deputy Commissioner Date 1/22/2007
 Agency: Department of Administration

(NEW)
FISCAL NOTE

**STATE OF ALASKA
2007 LEGISLATIVE SESSION**

Fiscal Note Number: _____
Bill Version: CSSB020-DCA-APOC-1-29-07
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title An Act relating to disclosure to the Alaska Public RDU AK Public Offices Commission
Offices Commission of information about... Component AK Public Offices Commission
Sponsor Senators French, Elton, McGuire, et al.
Requester Senate State Affairs Component No. 70

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	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	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
Grants & Claims	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
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts	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
1004 GF	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
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type—Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
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 requires that dividends received from a limited liability company must be reported as a source of income on a legislator's financial disclosure statement. It also requires that when a legislator performs services, such as consulting services, he or she must provide a description of the services provided and the total number of hours that are spent performing the services. Lastly, it removes the requirement that amount of income need only be disclosed for sources that have a substantial interest in legislative, administrative, or political action. Rather amounts will be required for all income in excess of \$1000.

This bill should have no fiscal impact on the Alaska Public Offices Commission.

Prepared by: Brooke Miles, Executive Director
Division Alaska Public Offices Commission
Approved by: Kevin Brooks
Agency Department of Administration

Phone 465-2200
Date/Time 1/29/07 1:26 PM
Date 1/29/2007

Alaska State Legislature



Senator Hollis French

Sponsor Statement

SB 20 – Legislative Disclosures

SB20 is a simple bill designed to clarify Alaska Public Office Commission reporting requirements for legislators and other public officials.

Under the current legislative ethics code a public official must disclose the nature of any work performed as personal services for which compensation greater than \$1000 is received. SB20 simply adds language to the existing statute to require the filer to provide a substantive description of what was done for the contract, as well as the approximate number of hours spent.

The public has repeatedly appealed for more substantive disclosures, and SB20 provides the increased degree of openness they are calling for. This will assure the public that the compensation public officials receive for outside work does not conflict in any way with their public duties, without unduly burdening citizen legislators who perform legitimate duties outside of the public realm.

The clarification the bill provides will also help APOC fulfill its mission of encouraging the public's confidence in their elected and appointed officials.

Please join me in support of this important ethics legislation.

Alaska State Legislature



Senator Hollis French

SB 20 – Disclosure

Sectional Analysis

Section 1 makes four changes to the current statute.

Lines 3-4 add to the statute the requirement to report dividends received for personal services from limited liability companies.

Lines 6-9 add to the statute the requirement to describe the nature of the services performed in exchange for income with enough detail to inform a person with ordinary understanding, unless the services were rendered pursuant to a professional license.

Lines 10-11 add to the statute the requirement to report the total number of hours that either were spent or will be spent in performing the services

Lines 12-17 rewrite paragraph (C) of the existing statute to require that the amount of income received from each source by a legislator or legislative director be disclosed. The bill removes the condition that the source of income be known to have a substantial interest in legislative, administrative or political action.

Section 2 adds a definition of “professional license”

Section 3 sets the effective date at July 1, 2007

Rep. Holmes ←

To Gov. Palin & each Alaska legislator

PETITION

Re: Permission to Testify about Effectively Dealing with Corruption in State Government

I petition you to allow me to address, in open meeting, Alaska elected officials about dealing with representative government incompetence, corruption and poor ethics. My authority to command your attention is the inherent sovereignty of an informed citizen over government, as recognized by the Alaska and US Constitutions. By your oaths of office, I conjure you to recognize this.

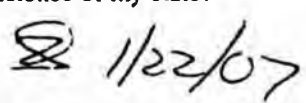
For courtesy's sake, I resubmit, in the attached published letters, the foundation of my testimony and idea for simply controlling corruption and ethics standards in government. This is so you can reasonably determine that I am sensible and sincere.

I ask for this widest possible official audience because of my treatment at the hands of state lawmakers and the governor last year. My petition to be heard by the House and Senate Rules committees, concerning inoculating lawmakers against destructive ignorance, prejudice and corruption, was refused - though they had proper jurisdiction over legislative rules. I have documented evidence of this. I reported this rejection and a summary of my intended testimony and solution to the governor and all 60 legislators. Only about 8 lawmakers responded. None expressed interest in a simple proven solution to controlling ethics lapses and corruption, or recognized the corruption inherent in what I experienced. I have documented evidence of this. Yet I only wanted to help the Legislature improve its performance and ethics standards in a gentle fashion. This year, corruption and ethics are now being given emergency attention. This is apparently due to the attitude of the new governor, embarrassment over the gross corruption uncovered by the FBI, and embarrassment over ethics lapses now being punished by APOC. I hope I will now be decently treated.

My testimony will verifiably show that:

1. the current measures being considered against corruption and ethics lapses are acceptable, but are superficial. Such solutions naturally permit problems to mutate until those solutions later no longer work.
2. the full discipline of our constitutional form of government is itself the ultimate control over corruption - if enough of it known and fully practiced. Our republican form of government is based on a vastly verified study and debate by our founding fathers about the strengths and weaknesses of all other government forms that preceded it. So failures to control corruption and ethics lapses are actually evidence of cooperative incompetence at using the constitutional devices and disciplines that make up our political heritage.
3. the common solution lawmakers are using to address their overwhelm from the volume of legislative material naturally leads to corruption. Specifically, addiction to trusted lobbyists and practicing follow-your-caucus-leader is discredited by the history of aristocrats and monarchs. People-based information, and research support for leaders is practically unknown, much less used, despite our political heritage from early America and from our Alaska native cultures.
4. the example set by modern elected representatives and chief executives is probably the most major influence behind skyrocketing high school dropouts and disinterest in learning. Youth consistently see how people must join an aristocracy - born of money, "who you know", prominence and popularity in the community, and name recognition - to be elected to run things or to be empowered to call the shots. Why know history, civics, math or even how to study if you can get "experts" and advisors to know this for you when you're in power?
5. there is a simple remedy for current conditions that is historically proven.

May I please be given the respect of a public hearing before legislators so I can discharge my duty of preserving the existence of my state?

 1/22/07

Stuart L. Thompson

Direct responses to stuart@stuartlthompson.com or VM 1-877-950-7980 as am currently working in SE cities
Permanent address PO Box 870702, Wasilla, AK 99687

ON SUBMISSIONS

The Editor. Letters will be edited for length, but factual accuracy and a civil tone are

of 400 words. All letters, including e-mail, must include a phone number for verification.



'Educated competence' needed in government

To the editor:

People moan about political corruption, destructive partisanship by representatives, and undue influence by special interests, yet carelessly accept empty rhetoric from politicians. Let's talk seriously about making our form of government work to its potential.

Consider that the Alaska Constitution's Article 2, Sect. 12, last sentence reads: "The legislature shall regulate lobbying."

What? This is the very thing that nearly all Alaskans complain the Legislature doesn't do enough of. Here are excuses given by past and present politicians for brushing this off:

A- "Lobbying is part of the fabric of democracy." Yet common sense shows lobbying works best to the degree just a few or one person calls the political shots, which sounds like aristocracy or monarchy in action. History calls efficient lobbying "having the ear of the king."

B- "Lobbyists perform valuable educational and research services for the legislature on complex issues." Yet it's self-evident that whoever controls the information diet of a mind controls most of its conclusions and decisions.

What powers such hypocrisy?

Basically, current political traditions and practices are increasingly turning away from people-based government principles. Example: how to successfully harvest and organize a population's ideas, contributions and efforts toward state and national goals is rarely practiced, or even understood.

See LETTERS, Page A5

LETTERS

Continued from Page A4

This is demonstrated by the common assertion "Representatives are elected to make the hard decisions for everyone." Yet this defines aristocracy, not representative government.

Furthermore, politicians who rebel against "how things are done" are suppressed and demoralized by our modern tradition-oriented political infrastructure. Consequently, it's why citizen apathy is never actually addressed. Apathy serves benevolent elected aristocrats that masquerade as representatives very well.

How have political traditions come to have more influence than constitutional oaths of office? Well, consider this. U.S. founding fathers were at least partially educated in Greek and Latin. This naturally drove their comprehension and use of English words derived from these languages.

The word "represent" is derived from Latin words for "show or give again." This obviously applies to a constitutional republic that is supposed to reflect the will and ideas of its citizens.

But modern dictionaries and politicians give the word "represent" in government another meaning. They use "be an agent or official in behalf of."

Yes. Look it up. This goes beyond the original theory of Congress acting as a check against mob rule. An agent by definition isn't required to reflect the ideas and thinking of his clients. He just has to provide for their

well-being and interests based on his judgment of realities.

Now you see why even well-meaning elected officials tend to ignore their constituents in favor of knowledgeable lobbyists. It's obviously more efficient for an "agent" to do so.

Consequently, "we" citizens have to pass initiatives about lobbying and even, in desperation, attempt to move the Capitol. Unbelievably, all this visibly proceeds from faulty comprehension of just one key word.

There's an easy and inexpensive way to change all this. Our Legislature is constitutionally commanded to provide rules to maximize cooperative efficiency for doing the public's business (Article 2, Sect 12). But current legislative rules fail to include the most successful method of all time at accomplishing just that. The Rules don't require on-the-job self-education by legislators about the craft of government. Yet true professionals have always proven commitment to results and ethical standards through career-long self-education about their work. Why should Alaska lawmakers be any different?

In remedy, the Legislature could pass this simple rule:

"Each member of the Legislature shall spend at least three hours per week each session personally studying government forms and lawmaking, including histories of their successes and failures. At the beginning of each term, each legislator shall take a voluntary exam about government to have a benchmark to individualize personal studies.

The regularly freshened exam shall be composed by Alaska's social studies teachers, under the supervision of the Lt Governor's office, with Alaska Supreme Court oversight."

Let's make our government run on educated competence

Stuart Thompson



FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB020-DOA-APOC-1-22-07
 () Publish Date: 1/16/2007

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title An Act relating to disclosure to the Alaska Public RDU AK Public Offices Commission
Offices Commission of information about... Component AK Public Offices Commission
 Sponsor Senators French, Elton, McGuire, et al.
 Requester Senate Judiciary Component No. 70

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	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	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
Grants & Claims	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
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts	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
1004 GF	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
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type-Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
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 requires that dividends received from a limited liability company must be reported as a source of income on a legislator's financial disclosure statement. It also requires that when a legislator performs services, such as consulting services, he or she must provide a description of the services provided and the total number of hours that are spent performing the services. Lastly, it removes the requirement that amount of income need only be disclosed for sources that have a substantial interest in legislative, administrative, or political action. Rather amounts will be required for all income in excess of \$1000.

Prepared by: Brooke Miles, Executive Director
 Division: Alaska Public Offices Commission
 Approved by: Melanie Millhorn, Deputy Commissioner
 Agency: Department of Administration

Phone 465-2200
 Date/Time 1/22/2007 11:10 a.m.
 Date 1/22/2007

SB

25

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 1/16/07

FURTHER: Finance

Date of 5-Day Notice: 01/18/07
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

State Affairs Committee considered SENATE BILL NO. 25

SB 25 STATE PLANNING AND BUDGET

"An Act relating to the state budget and to planning and reports regarding state finances and operations; and providing for an effective date."

and recommends:

- be replaced with SCS or CS SB 25 (STA)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
ADM	01/22			✓	
OMB	01/24		✓		
DOR	01/24		✓		

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
				X	
				X	
		✓		✓	
CHAIR:	McGene	✓			

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB025-DOA-FIN-1-23-07
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title An act relating to the state budget and to planning RDU Centralized Admin Services
reports regarding finance and operations. Component Finance
 Sponsor Senator Dyson
 Requester _____ Component No. 59

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	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	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
Grants & Claims	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
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	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
1004 GF	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
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
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 adds a requirement for a long-range financial plan covering the succeeding 25 fiscal years. Involvement by the Division of Finance in implementing such a plan would be limited to providing current and historical financial information. Division of Finance is not involved in the forecasting of revenues or expenditures of future periods. Providing current and historical financial information is a normal business function that would not require any additional funding.

Prepared by: Kim Garner, Director Phone 465-2240
 Division Finance Date/Time 1/22/07 2:00 PM
 Approved by: Kevin Brooks, Deputy Commissioner Date 1/23/2007
 Agency Department of Administration

Sponsor Statement for SB25

“An act relating to the state budget and to planning and reports regarding state finances and operations; and providing for an effective date”

January 22, 2007

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

This bill, if enacted, will require the governor to develop as part of the state budget, and to present to the legislature each January, key elements of a 25-year long-range financial plan for the state of Alaska.

Many of the decisions made and the actions taken by the governor and the legislature have an enduring and long-range impact on the citizens of Alaska. The bulk of the 2006 legislative session was devoted to revising Alaska's petroleum severance tax, an action that will have dramatic impacts on state revenues for many years to come. Much of the remainder of the session and two of the special sessions were devoted to debating a fiscal contract for a natural gas pipeline. At the heart of both issues are the state's revenues for the next 30 to 50 years, and perhaps longer. Additionally, revenues from a natural gas pipeline won't be realized by the state for perhaps 10 years or more. Yet the governor is currently only required to present a plan for the next fiscal year and a capital improvements plan for the next six years.

Also of long-term concern are the state's near- and long-term expenses. Last year a consultant hired by the legislature presented a report showing dramatic increases in the state's Medicaid expenses in the next few years. During the presentation, the consultant stated that if we only looked at the near term we might not see the dramatic changes in store for Alaska in later years. Demographics are changing nationwide. Medical and education costs are forecast to increase substantially, even to the point according to some consultants of the potential of consuming all revenues in some states. How will the Alaska meet these obligations?

Three factors will combine to compound Alaska's expenditures for Medicaid alone. First, the cost of Medicaid is projected to continue to rise. Second, Alaska is experiencing an influx of senior citizens who, along with Alaska's aging population, are expected to consume a greater share of Medicaid services. Third, it is likely the federal share of funding Medicaid will continue to decline as the federal government struggles to balance the federal budget. While increasing Medicaid benefits for next year may seem the proper thing for the legislature to do, a long term perspective must be considered because of the compounding effect. In short, the legislature and the governor must consider what Medicaid costs will be five, ten, or twenty years into the future.

PERS and TRS is another issue that necessitates a long-term perspective. Unfunded liabilities such as PERS and TRS cannot be remedied in just a few years. An unfunded liability of just under \$6 billion last year, may soon approach \$10 billion.

Sponsor Statement for SB 25 (continued)

In addition, there are substantial deferred maintenance needs, the costs of which continue to grow at a compounding rate. Deferred maintenance for the Department of Transportation and the University alone may soon reach \$1 billion. Unless action is taken soon to arrest the deterioration of Alaska's roads and buildings, this amount will increase at an ever accelerating rate.

The state must have a plan that addresses all these issues, not just for next year, not just for the next six years, but over the long haul.

Alaska Statute 37.07.020 only requires the governor to present to the legislature a budget for the next fiscal year, and a capital improvements program for the next six years. A one-year look ahead does not give the legislature sufficient information to make meaningful decisions, especially if those decisions will impact Alaskans for generations to come.

While no one can accurately forecast 25 years into the future, we can look at trends, and we can make annual adjustments as circumstances change. Brazil has a 40-year energy plan; BP has a 50-year plan for its Alaskan operations; and many Japanese companies have 100-year plans.

Alaskans from all walks of life, from private citizens to government officials, are demanding a long range plan, a plan that everyone can understand, even if they don't agree with the plan. They want to know that their government is responsibly considering the long-term ramifications of decisions and actions. As the chief executive for the state of Alaska it is incumbent upon the governor to have such a plan and to communicate it to all Alaskans. This bill institutionalizes these requirements.

Sectional Analysis SB 25

“An act relating to the state budget and to planning and reports regarding state finances and operations; and providing for an effective date”

I. Section 1 – Page 1, lines 7 & 8

- A. AS 37.07.020(a) currently sets forth requirements for the governor to prepare a budget for the succeeding year and to present it to the legislature.
- B. In addition to the requirements of subparagraph (a) AS 37.07.020(b) currently requires the governor to submit a six-year capital improvements program.
- C. This bill will add to subparagraph (b) a requirement for the governor to also submit a “long-range financial plan covering the succeeding 25 years.”

II. Section 2 – Page 1, line 12

AS 37.07.020(c) currently states that the governor’s proposed expenditure for the coming year may not exceed the estimated revenue for the coming year.

The subparagraph also states that the proposed expenditures for the six-year capital improvements program any not exceed estimated revenues and bond authorizations.

This bill will require the governor to explain how she expects to fund expenditures for the next 25 years with similar restrictions of limiting expenditures to estimated revenues and bond authorizations.

III. Section 3 – Pages 1 through 3

AS 37.07.040 is amended on page 2, line 4 to add to the duties of the Office of Management and Budget the requirement to assist the governor in the preparation and explanation of the 25-year long-range financial plan.

IV. Section 4 - Pages 3, line 16 through Page 5, line 7

AS 37.07.060(a) is restructured to itemize the elements required in the governor’s recommendations and amended to incorporate the new required elements of the long-range plan.

- A. **Items (1) and (2) on Page 3, lines 23 and 24** – changes “results” to read “desired results” to be consistent with usage elsewhere in the statute and with the verbiage associated with the Missions & Measures program.
- B. **Item (3) on Page 3, lines 27 & 28** – This item is expanded to not only include an assessment of performance toward missions and desired results, but also an indication of whether the governor considers adequate progress to have been made toward achieving the missions and desired results. Prior submittals have included a restatement of the statistics with no qualitative evaluation of what the statistics mean

or whether the measures have shown adequate progress. This item, along with others included below, moves the Missions & Measures from merely a reporting tool toward a management tool.

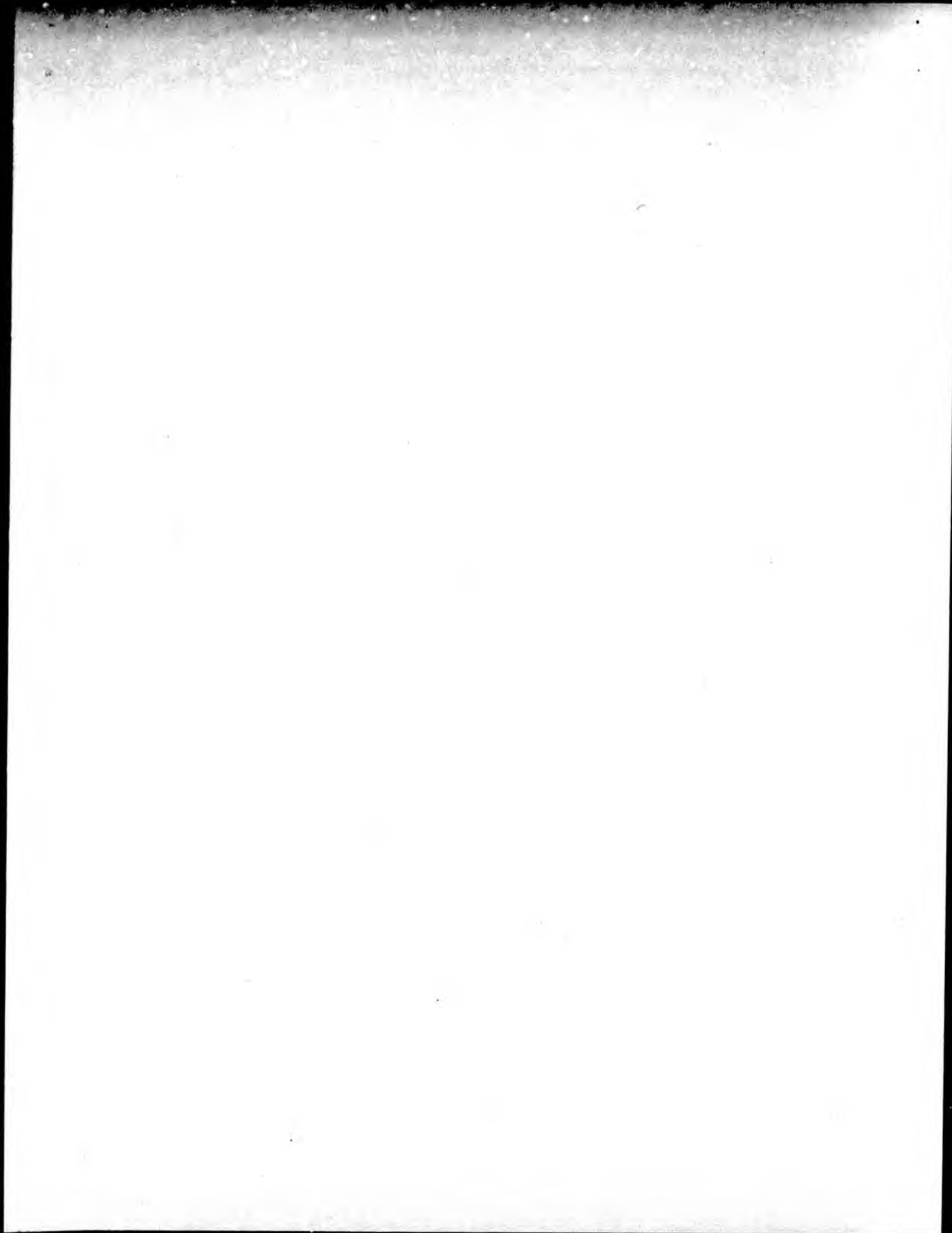
- C. **Item (4) on Page 3, lines 29 & 30** – Past administrations have been good about providing this information. However, this new item requires the governor to include in the plans presented hereunder an estimate of revenues for the coming fiscal year, listed by revenue source. The intent is to have in one comprehensive plan, all of the elements necessary for the legislature and the public to evaluate the reasonableness of the plans.
- D. **Item (5) on Page 3, line 31 through Page 4, line 1** – In like manner as Item (4), this item requires that the major areas of expenditures for the coming fiscal year be delineated.
- E. **Item (6) on Page 4, lines 2 & 3** – The requirement already exists.
- F. **Item (7) on Page 4, lines 4 & 5** – Like Item (4) above, this item requires an estimate of the revenues, by source and by year, for the six year capital improvements program.
- G. **Item (8) on Page 4, lines 6 & 7** – This requirement already exists.
- H. **Item (9) on Page 4, lines 8 through 10** – This existing requirement is amended to ensure proposed start times are included in the governor's recommendations regarding programs to upgrade public buildings and facilities.
- I. **Item (10) on Page 4, lines 11 & 12** – This existing requirement is amended to add clarifying verbiage to reflect that "the programs" mentioned are the upgrading projects addressed in Item (9).
- J. **Item (11) on Page 4, lines 13 through 15** – This item adds a new requirement for the governor to present a projection of revenues for the next 25 years for each major source of revenue. The item also requires the governor to explain any significant changes from previous projections.
- K. **Item (12) on Page 4, lines 16 through 18** – In like manner as Item (11) above, this item adds a new requirement for the governor to project expenditures, by each major area of expenditure, for the next 25 years, and to explain any significant changes from previous projections.
- L. **Item (13) on Page 4, line 19** – This new item requires the governor to state the assumptions upon which both the revenue and expenditure 25-year projections have been made so that the legislature and the public can evaluate reasonableness of such projections.
- M. **Item (14) on Page 4, lines 20 & 21** – If the projections indicate that expenditures may exceed revenues this item requires the governor to propose actions necessary to either reduce expenditures or increase revenues.
- N. **Item (15) on Page 4, lines 22 through 24** – This item requires the governor to include in the plan a discussion of not only the different actions set out in Item (14), but also any necessary changes to the state's overall long range strategy.
- O. **Item (16) on Page 4, lines 25 through 28** – This item requires:
 - 1. An analysis of the state's debt burden;
 - 2. The maximum debt burden the governor believes the state should undertake;
 - 3. A statement of whether the projected debt, based on the planned capital projects and programs, will exceed such maximum;

4. If the projected debt exceeds the governor's maximum:
 - a. Plans for reducing state debt below the maximum;
 - b. Plans for satisfying outstanding bonds; and
 - c. Plans for meeting deferred maintenance needs.
- P. **Item (17) on Page 4, lines 29 & 30** – This item requires the governor to provide:
 1. A status of the state's unfunded liabilities;
 2. A trend analysis for such liabilities; and
 3. The strategy for funding such liabilities.
- Q. **Item (18) on Page 4, line 31 through Page 5, line 1** – This item requires a statement regarding any anticipated changes in federal funding, and if there are anticipated reductions in federal funding, how the governor plans to accommodate such reductions.
- R. **Item (19) on Page 5, lines 2 through 5** – This item requires the governor to set a minimum level for the budget reserve fund, and to set forth a plan for making payments to the fund until the minimum is achieved.
- S. **Item (20) on Page 5, lines 6 & 7** – If the state has an emergency fund to cover disasters the governor is required to state the minimum level of funding for such fund and, if below such level, the plan for achieving the minimum level.
- T. **Item (21) on page 5, line 8** – If there are projected revenue surpluses this item requires a discussion of how such surpluses will be handled.
- U. **Item (22) on Page 5, lines 9 & 10** – Finally, the governor's recommendation must include a discussion of the actions the legislature must take for the stated strategy to succeed. The recommendations must indicate the timing necessary for such actions.

V. Section 4 - Pages 5, line 11 through Page 6, line 30

- A. AS 37.07.060(b) is amended to include the long-range plan (Page 5, line 12) in the governor's annual budget presentation to the legislature.
- B. The change at Page 5, line 14 requires the explanatory report, previously submitted concurrently with the presentation, to be submitted to the legislature prior to the presentation.
- C. AS 37.07.060(b)(1) on page 5, line 17 the revisor has made a grammatical correction.
- D. AS 37.07.060(b)(3) beginning on page 5, line 22 through page 6, line 30 is amended to clarify what "plans" are addressed, and to delineate capital projects, the capital improvements program and the long-range financial plan.

VI. Section 5 - Page 6, line 31 establishes an effective date of July 1, 2007 with the resultant effect that these requirements are to be included in the Governor's budget for FY09 and her presentation to the second session of the twenty-fifth legislature in January 2008.



Sec. 37.07.020. Responsibilities of the governor.

(a) The governor shall prepare a budget for the succeeding fiscal year that must cover all estimated receipts, including all grants, loans, and money received from the federal government and all proposed expenditures of the state government. The budget shall be organized so that the proposed expenditures for each agency are presented separately. The budget must be accompanied by the information required under AS 37.07.050 and by the following separate bills: (1) an appropriation bill authorizing the operating and capital expenditures of the state's integrated comprehensive mental health program under AS 37.14.003(a); (2) an appropriation bill authorizing state operating expenditures other than those included in the state's integrated comprehensive mental health program; (3) an appropriation bill authorizing capital expenditures other than those included in the state's integrated comprehensive mental health program; and (4) a bill or bills covering recommendations, if any, in the budget for new or additional revenue. The budget for the succeeding fiscal year and each of the bills shall become public information on December 15 at which time the governor shall submit copies to the legislature and make copies available to the public. The bills, identical in content to the copies released on December 15, shall be delivered to the rules committee of each house before the fourth legislative day of the next regular session for introduction.

(b) In addition to the budget and bills submitted under (a) of this section, the governor shall submit a capital improvements program and financial plan covering the succeeding six fiscal years.

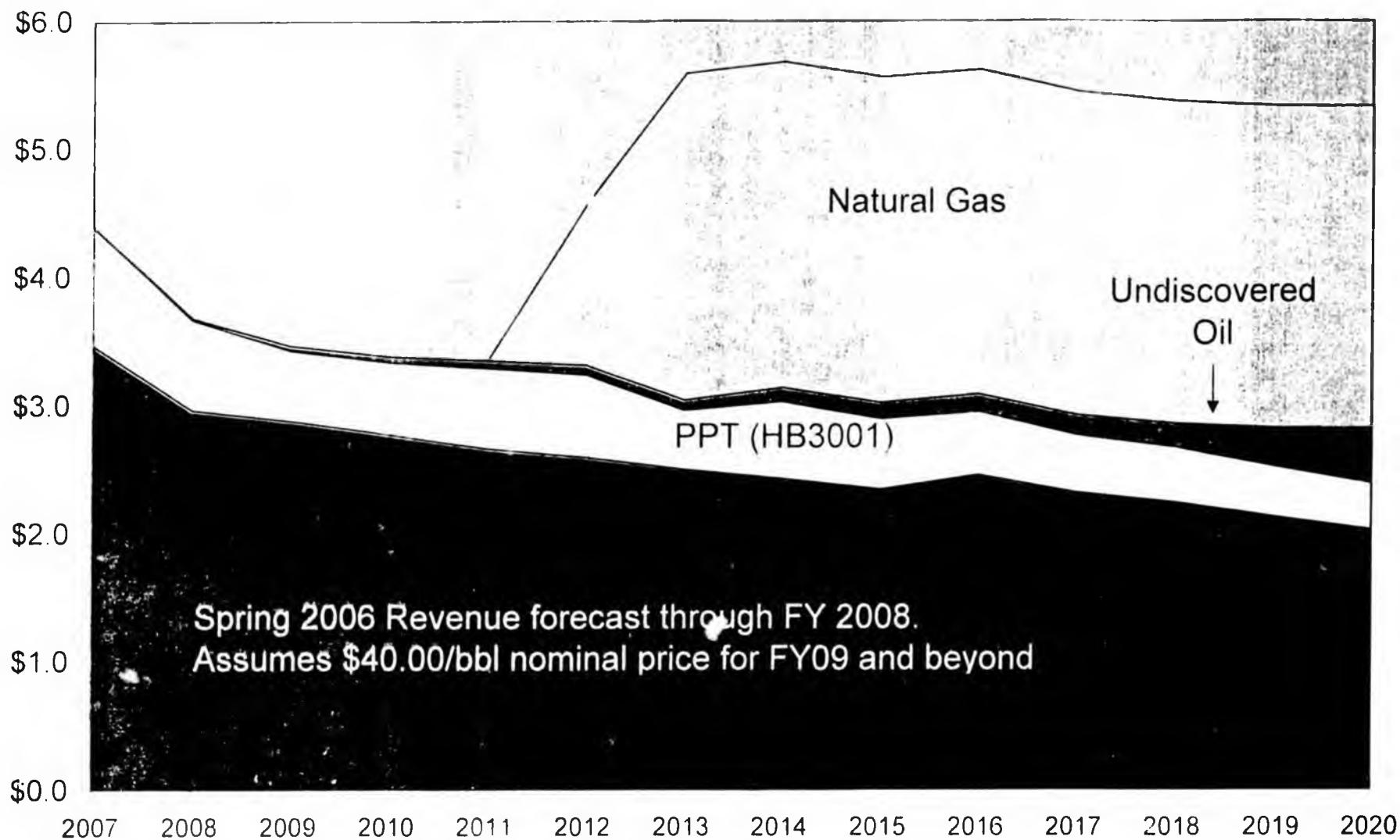
(c) Proposed expenditures may not exceed estimated revenue for the succeeding fiscal year. The expenditures proposed in the six-year capital improvements program and financial plan may not exceed the estimated revenue and bond authorizations passed and proposed.

(d) *[Repealed, Sec. 35 ch 126 SLA 1994].*

(e) The budget prepared under (a) of this section must present the proposed operating expenditures for each agency for annual facility operations, annual maintenance and repair, and periodic renewal and replacement for components of public buildings and facilities separately from the other proposed operating expenditures by the agency. Proposed annual appropriations for an agency's facility operations, maintenance and repair, and renewal and replacement for components of public buildings and facilities contained in an appropriation bill prepared under (a) of this section must be presented separately from appropriations for other proposed operating expenditures by the agency.

Potential Unrestricted GF Revenue From Oil & Gas

Billions of Dollars





The LEWIN GROUP

and

ECONorthwest

**Long Term Forecast of
Medicaid Enrollment and
Spending in Alaska: 2005-2025**

Prepared for:

Alaska Department of Health and Social Services

Prepared by:

The Lewin Group and ECONorthwest

February 15, 2006

*Provided By
Senator Dyson
1/18/07*

Executive Summary

In April 2005 the Alaska Department of Health and Social Services (ADHSS) contracted with the Lewin Group and ECONorthwest to develop a long-term forecasting model of Medicaid spending for the State of Alaska. This document describes the steps undertaken in the development of the forecasting model and provides details on the projected growth in enrollment, utilization, and spending on Alaska's Medicaid program through 2025.

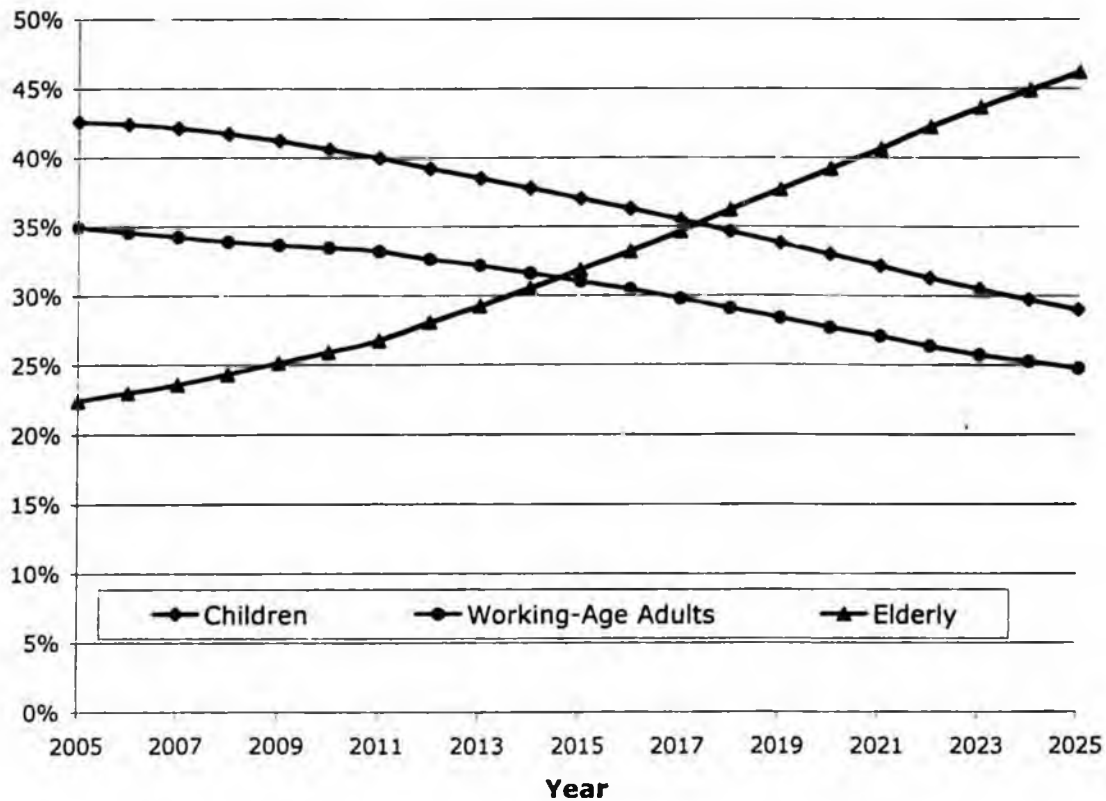
This report is intended to inform ADHSS executives and the Alaska State Legislature of the substantial projected growth in total spending on Alaska's Medicaid program and the projected growth in state matching fund spending on the Medicaid program. The projections of total and state matching fund spending presented in this report assume that the mix of Medicaid services remains constant and that eligibility criteria do not change in the future. These assumptions were necessary to show how Medicaid spending in Alaska would grow under the program's status quo. The statistical models developed for this analysis will be provided to ADHSS staff providing them the ability to update the Medicaid forecast as more timely data become available.

KEY FINDINGS

The Alaska Medicaid program will fundamentally change over the next 20 years from a program that centers on children to one that is dominated by seniors (age 65 and older). This is a result of changes in Alaska's demographic profile, which will include many more seniors. On a per-recipient basis, spending on Medicaid services for seniors is substantially higher than spending for children. As this portion of the population grows rapidly over the next 20 years, Medicaid spending will also grow rapidly. In calendar year 2005, approximately 42% of spending on Medicaid claims was devoted to children and 22% was devoted to seniors. By 2025, we expect that approximately 45% of Medicaid spending will be devoted to seniors and approximately 30% will be devoted to children. As Figure 1 shows, we expect spending on Medicaid claims for the elderly to surpass spending on the working-age population by 2015 and to surpass spending on children by 2018.

Figure 1: Spending on Elderly will Surpass Spending on Other Age Groups by 2018

Forecasted Proportion of Total Spending on Medicaid Claims by Age Group, 2005-2025



Source: Lewin Group & ECONorthwest analysis of Alaska Department of Health and Social Services data.
 Note: Spending projections are on an incurred service basis.

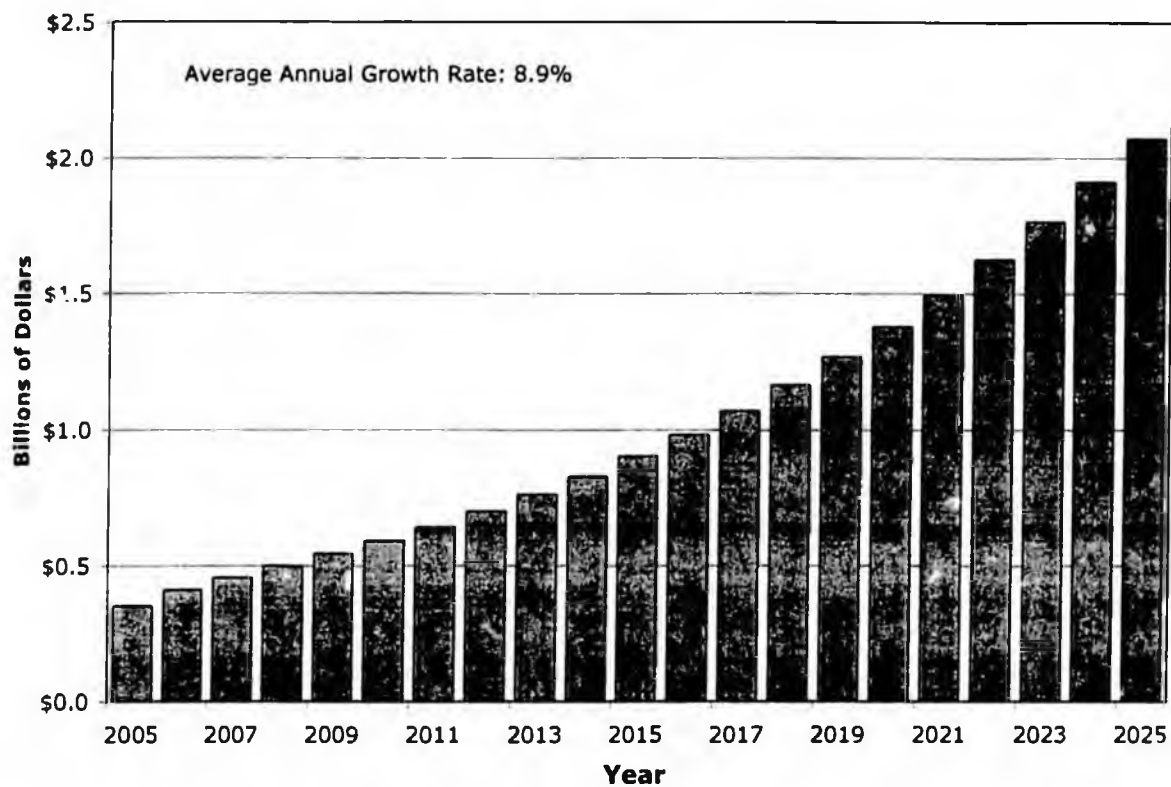
Among the key findings of this report are the following:

- More important than any of the other factors in our projection of the Alaska population, the 65 and older population is projected to grow rapidly, almost tripling from 43,000 to 124,000 between 2005 and 2025.
- Alaska's Medicaid program has been a program dominated by spending on services for children but it will change to one much more focused on the elderly. This change will affect the mix of benefits that Medicaid provides and, more importantly, the cost. Average per-recipient costs of Medicaid services are much higher for the elderly than for children.

- Projected to grow a little faster than the state’s population, we expect Medicaid enrollment—on a full time equivalent basis—to reach 131,000 by 2025 (compared to 95,000 in 2004).
- Total spending on Medicaid claims will increase from approximately \$975 million in CY 2005 to approximately \$4.7 billion in CY 2025.
- An increasing share of the Medicaid burden will be shifted away from the federal government to the state. State matching funds for Medicaid claims are projected to increase at a faster rate than the total Medicaid program—8.9% versus 7.6% for total funds (see Figure 2).

Figure 2: State Matching Fund Spending on Medicaid to Grow 8.9% Annually

Total Forecasted State Matching Funds for Medicaid Claims (in Millions of Dollars), 2005-2025



Source: Lewin Group & ECONorthwest analysis of Alaska Department of Health and Social Services data.
 Note: Spending projections are on an incurred service basis. Not adjusted for inflation.

Table 1 and Table 2 show projected utilization and spending for the five fastest growing Medicaid service categories. With the exception of Vision Services, these categories are also expected to be among the most expensive Medicaid services provided in 2025. In fact, As Table 2 shows, over half of state matching funds will be spent on just two service categories—Personal Care and HCB Waiver. These are two of the most important Medicaid service categories for Alaska’s seniors.

Table 1: Forecast of the 5 Fastest Growing Service Categories by Utilization, 2005-2025

Medicaid Service	Calendar Year					Average Annual % Change (2005-2025)	Rank by Avg. Annual % Change
	2005	2010	2015	2020	2025		
Personal Care	5,029	8,626	14,587	23,617	35,311	9.7%	1
HCB Waiver	4,167	7,004	11,428	17,686	25,263	9.0%	2
Residential Psych./BRS	1,227	1,898	2,766	3,889	5,319	7.3%	3
Therapy/Rehabilitation	9,949	15,240	22,242	31,135	41,529	7.1%	4
Vision	24,288	35,006	47,669	61,614	75,190	5.7%	5
Unduplicated Count of Medicaid Recipients	113,953	130,047	141,184	148,117	150,743	1.4%	NA
Unduplicated Count of Medicaid Enrollees	132,344	151,036	163,971	172,022	175,073	1.4%	NA

Source: Lewin Group & ECONorthwest analysis of Alaska Department of Health and Social Services data.
 Note: In this analysis we define service utilization as the annual unduplicated count of persons who used a particular Medicaid service during the fiscal year

Table 2: Forecast of the 5 Fastest Growing Service Categories by State Matching Funds (In Millions of Dollars), 2005-2025

Medicaid Service	Calendar Year					Avg. Annual % Change (2005-2025)	Rank by Avg. Annual % Change
	2005	2010	2015	2020	2025		
Personal Care	\$48.7	\$105.0	\$200.6	\$367.3	\$629.1	12.8%	1
HCB Waiver	\$49.0	\$100.6	\$181.8	\$316.1	\$520.4	11.8%	2
Residential Psych/BRS	\$27.1	\$52.9	\$88.0	\$141.1	\$221.5	10.5%	3
Therapy/Rehabilitation	\$11.5	\$21.7	\$35.4	\$56.3	\$85.9	10.0%	4
Vision	\$0.4	\$0.8	\$1.2	\$1.7	\$2.4	8.6%	5
All Medicaid Services	\$350	\$591	\$902	\$1,377	\$2,070	8.9%	NA

Source: Lewin Group & ECONorthwest analysis of Alaska Department of Health and Social Services data.
 Note: Dollars are not adjusted for inflation.

- State matching fund spending on claims provided by the Alaska Medicaid program will grow from approximately \$350 million in calendar year 2005 to just over \$2 billion in calendar year 2025.
- The main factors responsible for growth in spending on Medicaid services are population growth, aging of the population, increasing utilization of Medicaid services by enrollees, and growth in the prices of medical services.
- Growth in total (federal and state funds) spending on claims will slow from the pace of the last decade. On an average annual basis, total spending on Medicaid claims is projected to increase by 7.8%. Comparatively, between 1998 and 2004, spending on Medicaid claims increased by 16.6%.
- In calendar year 2005, state-matching fund spending on Medicaid claims was approximately \$500 per Alaskan citizen. We project this will grow to approximately \$2,600 by 2025—an 8.0% average annual growth rate. Comparatively, per-capita personal income in Alaska is projected to grow by less than 3.0% per year over this same period.
- By 2025, more than half of state matching fund spending on Medicaid claims is expected to be for Personal Care and HCB Waiver. In CY 2005 these two service categories account for less than 30% of the state's spending on Medicaid claims.
- Medicaid enrollment will grow at almost twice the annual rate of Alaska's population (1.4% vs. 0.86%).
- For the elderly, Medicaid enrollment is also projected to grow at a greater annual rate than the population (6.3% vs. 5.3%).
- Medicaid utilization will grow by approximately 4.3% per year between 2005 and 2010, but this rate of growth will decline to approximately 2.1% between 2020 and 2025.
- We project relatively slow growth in the enrollment rates of eligibility categories specific to children (e.g. Title XIX Kids), but high rates of growth in eligibility

categories geared more heavily toward the elderly (e.g. Long Term Care Non-Cash).

- The elderly population in Alaska will almost triple between 2005 and 2025 from 43,000 to 124,000; while the child population will remain relatively stable growing only from 205,000 to 245,000 in 20 years.
- The Native population will increase on average by 1.71% per year, while the Non-Native population is expected to increase by only 0.67%. The difference between the two growth rates is expected to result in the Native proportion of the population increasing from approximately 17% in 2005 to approximately 21% by 2025.
- Currently, Natives are almost three times as likely to be enrolled in Medicaid as are non-Natives.
- The enrollment of males into the Medicaid program is projected to grow slightly faster than females. Still, due to greater life expectancies, higher rates of poverty, and pregnancy and related needs, we expect the proportion of females in the Medicaid program to remain higher than males.
- The Anchorage/Mat-Su region, with almost half of all Medicaid enrollees in 2005, is expected to increase its Medicaid population by 2.0% per year—the fastest growth of any of the regions.

Alaska Oil and Gas Activities

William Van Dyke,
Acting Director
Division of Oil and Gas

January 17, 2006



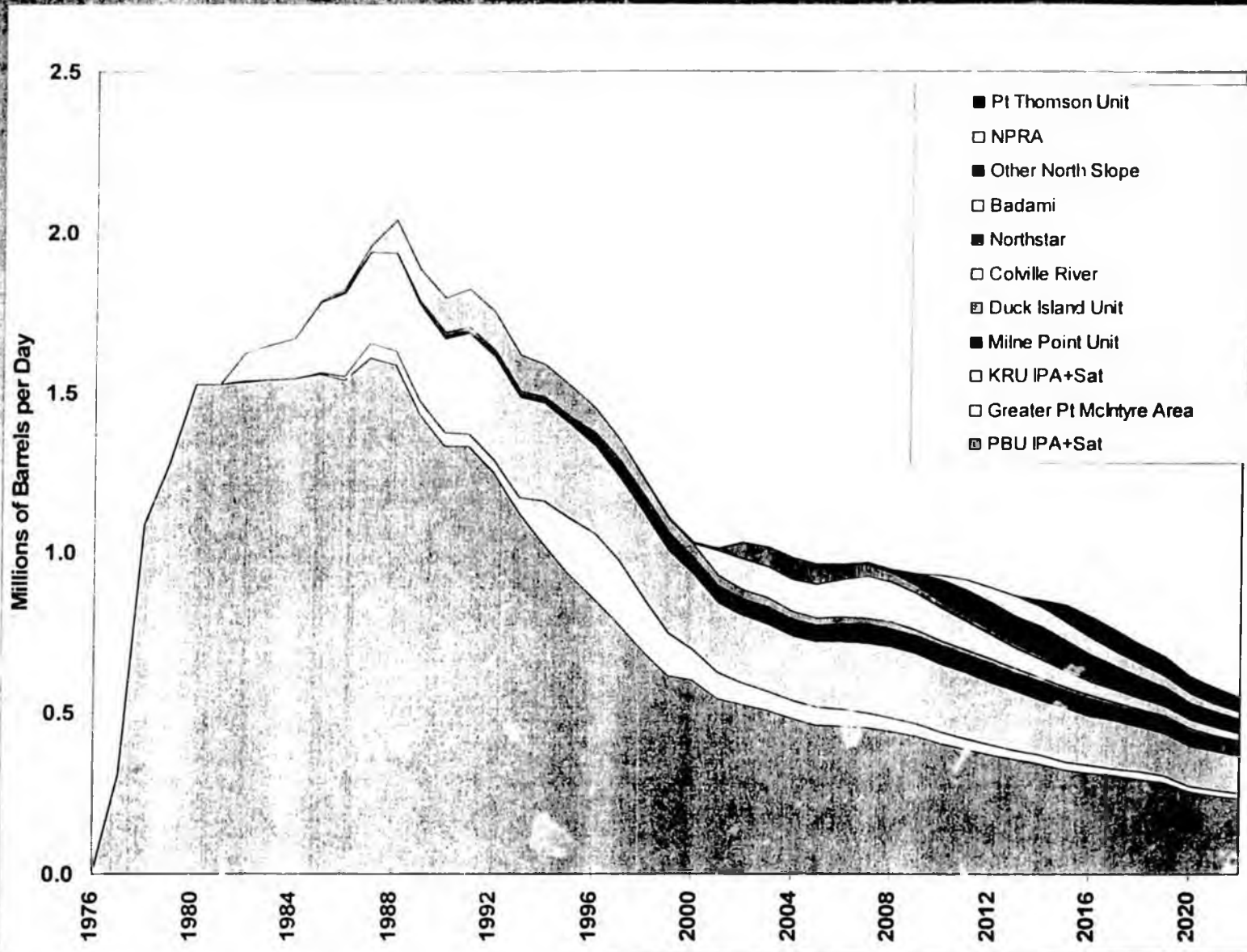
Alaska Department of
**Natural
Resources**

<http://www.dog.dnr.state.ak.us/oil/>

Provided by Senator Dyson

1/18/07

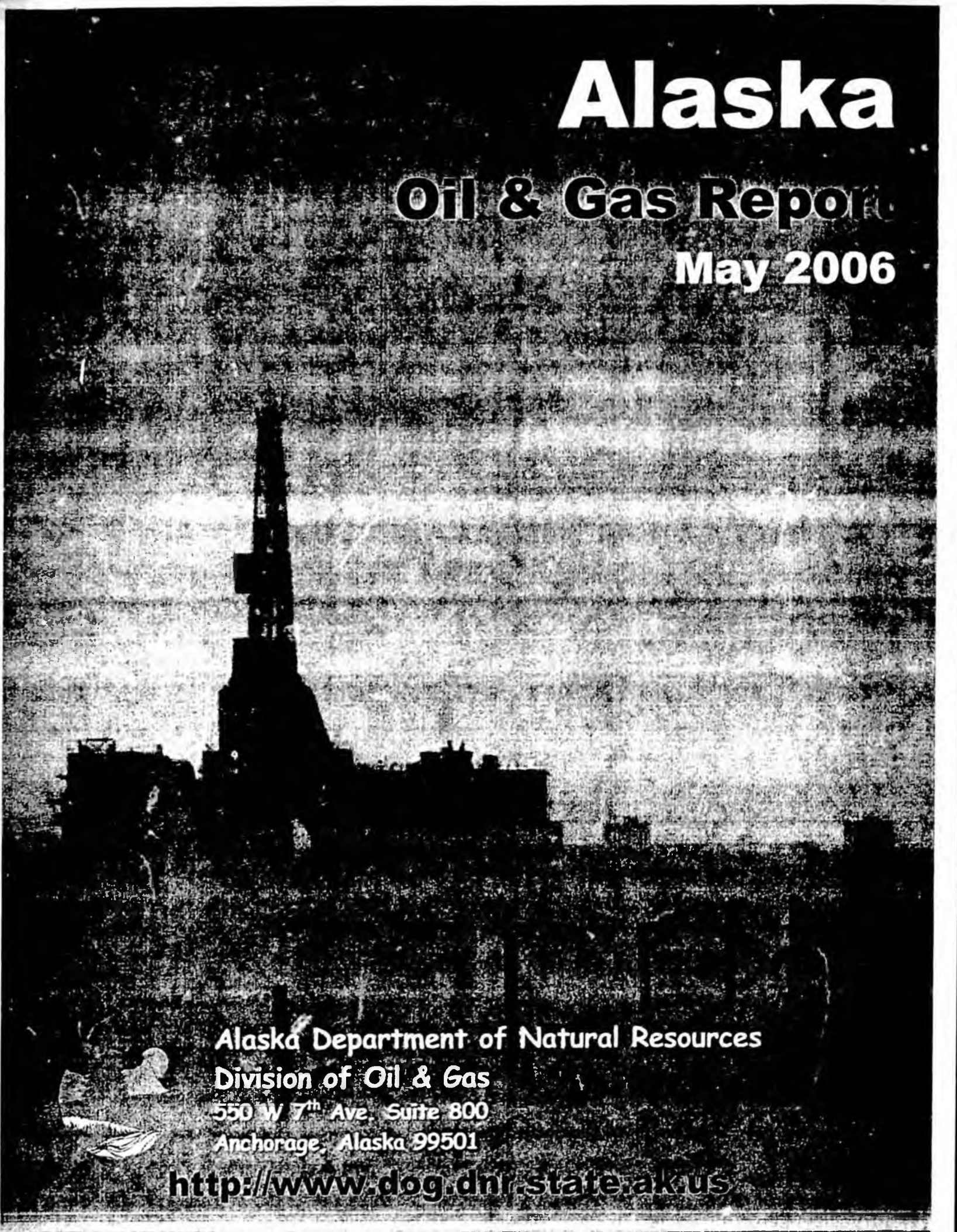
Historic and Projected Oil Production 1976-2022



Alaska

Oil & Gas Report

May 2006



Alaska Department of Natural Resources

Division of Oil & Gas

550 W 7th Ave. Suite 800

Anchorage, Alaska 99501

<http://www.dog.dnr.state.ak.us>

Table III.7 Oil Production-Forecast

North Slope (Millions of Barrels per Year)

	Prudhoe Bay Unit											Kuparuk River Unit			NPRA ⁴	North Slope ⁵		
	Badami	Colville River	DUG ²	Prudhoe Bay IPAs	Prudhoe Bay	Greater Pt McIntyre Area ³	PBU IPA+Sat+G ³	Kuparuk IPA	Kuparuk Satellites	KRU IPA+Sat								
1975	-	-	-	-	0.7	-	-	0.7	-	-	-	-	-	-	-	-	-	0.7
1976	-	-	-	-	1.0	-	-	1.0	-	-	-	-	-	-	-	-	-	1.0
1977	-	-	-	-	113.2	-	-	113.2	-	-	-	-	-	-	-	-	-	113.2
1978	-	-	-	-	397.7	-	-	397.7	-	-	-	-	-	-	-	-	-	397.7
1979	-	-	-	-	468.4	-	-	468.4	-	-	-	-	-	-	-	-	-	468.4
1980	-	-	-	-	555.6	-	-	555.6	-	-	-	-	-	-	-	-	-	555.6
1981	-	-	-	-	555.6	-	0.0	555.6	1.1	-	1.1	-	-	-	-	-	-	556.7
1982	-	-	-	-	559.4	-	0.2	559.6	32.4	-	32.4	-	-	-	-	-	-	592.0
1983	-	-	-	-	561.1	-	0.1	561.2	39.9	0.0	39.9	-	-	-	-	-	-	601.1
1984	-	-	-	-	562.3	-	0.3	562.6	46.1	0.1	46.2	-	-	-	-	-	-	606.8
1985	-	-	-	-	568.6	-	1.1	569.7	79.7	0.3	80.0	0.7	-	-	-	-	-	650.4
1986	-	-	-	0.0	561.8	-	3.6	565.4	95.0	0.3	95.3	4.7	-	-	-	-	-	665.3
1987	-	-	-	8.8	566.7	-	16.7	603.3	103.7	-	103.7	0.0	-	-	-	-	-	716.8
1988	-	-	-	37.9	578.7	-	18.1	594.8	111.1	-	111.1	-	-	-	-	-	-	743.9
1989	-	-	-	36.9	522.9	-	14.8	537.7	109.8	-	109.8	3.7	-	-	-	-	-	688.1
1990	-	-	-	38.6	486.2	-	15.9	502.1	107.2	-	107.2	6.8	-	-	-	-	-	654.5
1991	-	-	-	42.5	486.7	-	14.7	501.4	113.6	-	113.6	7.5	-	-	-	-	-	664.9
1992	-	-	-	43.1	456.5	-	14.0	470.5	118.5	-	118.5	6.9	-	-	-	-	-	639.0
1993	-	-	-	40.8	409.7	-	18.5	428.2	115.2	-	115.2	6.8	-	-	-	-	-	590.9
1994	-	-	-	35.8	374.3	-	50.7	425.0	111.8	-	111.8	6.7	-	-	-	-	-	679.3
1995	-	-	-	34.4	340.4	-	65.2	405.6	107.0	-	107.0	8.7	-	-	-	-	-	555.7
1996	-	-	-	27.7	312.6	-	75.6	388.2	99.5	-	99.5	14.1	-	-	-	-	-	526.4
1997	-	-	-	22.9	284.0	-	73.7	357.7	96.0	0.0	96.0	19.0	-	-	-	-	-	465.6
1998	0.7	-	-	18.6	252.8	0.081	61.9	314.8	91.7	4.6	96.3	20.4	-	-	-	-	-	450.8
1999	1.2	-	-	15.7	223.8	1.723	47.5	273.0	82.4	12.7	95.0	19.7	-	-	-	-	-	404.5
2000	0.9	2.2	-	13.5	217.2	2.117	36.1	255.4	74.1	12.2	86.3	19.1	-	-	-	-	-	377.4
2001	0.7	32.0	1.3	11.8	194.2	4.808	29.6	228.6	68.3	11.5	79.8	19.3	-	-	-	-	-	373.4
2002	0.6	35.0	17.9	10.3	177.6	14.856	24.6	217.1	58.9	18.5	77.4	18.7	-	-	-	-	-	377.0
2003	0.3	35.6	23.0	10.6	166.3	18.582	22.3	207.2	58.5	18.9	77.4	18.7	-	-	-	-	-	372.7
2004	-	36.1	25.1	8.5	153.2	16.973	21.6	191.8	53.2	18.6	71.8	18.7	-	-	-	-	-	352.0
2005	0.0	43.8	22.4	7.5	140.0	17.1	18.7	175.7	50.4	15.9	66.3	16.0	-	-	-	-	-	331.8
2006	0.4	40.1	18.1	6.5	135.5	18.1	17.1	170.8	47.4	18.5	65.9	16.1	-	-	-	-	-	317.8
2007	0.4	46.1	14.5	5.7	131.1	20.3	15.8	167.0	44.5	22.2	66.7	16.0	-	2.1	-	-	-	318.5
2008	0.4	49.2	11.6	5.3	126.4	23.1	14.6	164.1	42.3	24.2	66.8	15.9	-	7.9	-	-	-	321.1
2009	0.4	48.4	9.3	5.2	122.4	25.1	13.7	161.2	40.3	25.9	66.3	16.1	-	15.2	-	-	-	322.0
2010	0.2	44.7	7.4	5.2	116.6	25.7	12.9	155.1	38.6	27.5	66.1	16.0	-	25.5	4.3	-	-	324.3
2011	-	38.4	6.0	5.2	112.2	25.0	12.3	149.3	37.0	28.9	65.9	15.5	-	33.3	11.1	-	-	324.8
2012	-	30.9	5.0	5.3	108.1	23.5	11.5	143.1	35.5	30.1	65.6	15.0	-	33.7	17.2	-	-	315.8
2013	-	25.0	4.2	5.4	104.5	21.8	11.0	137.2	34.1	30.8	65.0	14.6	-	29.5	23.1	-	-	304.1
2014	-	21.1	3.7	5.5	101.1	20.3	10.5	131.9	32.9	31.2	64.1	14.6	-	28.1	24.4	-	-	293.4
2015	-	18.6	3.3	5.7	96.3	18.9	10.0	125.2	31.8	31.2	63.0	14.4	14.9	28.6	21.9	-	-	295.6
2016	-	16.7	3.0	5.9	93.5	17.6	9.6	120.8	30.7	29.3	60.0	14.4	24.2	29.8	19.4	-	-	294.1
2017	-	14.7	2.7	5.9	92.3	16.5	9.2	118.0	29.7	26.5	56.2	14.8	22.0	30.1	17.1	-	-	281.7
2018	-	12.9	2.5	5.7	90.5	15.5	8.8	114.8	28.8	24.0	52.7	15.5	20.1	28.0	15.1	-	-	267.2
2019	-	11.5	2.3	5.4	87.7	14.5	8.5	110.6	27.9	21.6	49.6	16.2	18.3	25.0	13.4	-	-	252.2
2020	-	10.4	2.2	4.9	77.5	13.5	8.2	99.2	27.1	19.5	46.7	16.9	16.6	22.1	11.8	-	-	230.9
2021	-	9.4	2.0	4.5	74.8	12.6	7.9	95.3	26.4	17.7	44.0	16.5	15.1	19.7	10.5	-	-	217.0
2022	-	8.4	1.9	4.0	72.2	11.8	7.6	91.6	25.7	16.0	41.6	15.6	13.8	17.6	9.3	-	-	203.7
2023	-	7.6	1.8	3.6	66.7	11.1	7.3	88.1	25.0	14.4	39.4	14.6	12.5	15.7	8.2	-	-	191.5
2024	-	6.9	1.6	2.9	67.4	10.4	7.1	84.8	24.4	13.1	37.4	13.8	11.4	14.0	7.3	-	-	180.1
2025	-	6.3	1.5	2.3	65.2	9.7	6.9	81.8	23.8	11.8	35.6	12.8	10.4	12.5	6.4	-	-	169.6

Notes

¹ Actual reported production from AOGCC Monthly Production Reports through 2005. Figures include NGLs. Forecast production is based on sum of remaining recoverable reserves. Forecast horizon is 2006-2035, shown to 2025 in table and related chart.

² Oil Rim and Gas Cap.

³ Includes Lisburne, Niakuk, North Prudhoe Bay, Point McIntyre PA, and West Beach.

⁴ Includes Liberty and other known onshore and offshore.

⁵ Based on U.S.G.S. estimates.

Sources: Alaska Oil and Gas Conservation Commission, "Alaska Production Summary by Field and Pool" (monthly reports) and Alaska Department of Revenue (forecast)

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State and Local Government Debt Soars

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It is well known that the federal government is amassing large amounts of debt, but state and local governments are piling up debt as well.

Total state and local debt was stable during the 1990s but soared from \$1.19 trillion in 2000 to \$1.85 trillion by 2005, an increase of 55 percent. About 39 percent of the total is state debt, and 61 percent is local debt.

Most state and local debt takes the form of long-term bonds ("municipal bonds"). Issues of municipal bonds raised an annual average of \$230 billion in new funds between 2001 and 2005, up sharply from the \$152 billion average between 1996 and 2000.

Future Revenues Become Debts

There are two main types of municipal bonds: General obligation (GO) bonds and revenue bonds. GO bonds make up about 39 percent of long-term municipal debt, and revenue bonds compose 61 percent.

GO bonds are backed by general taxation and are often subject to constitutional limits. Issues of GO bonds usually need to be approved by voters.

Revenue bonds are backed by specific sources of revenue and are usually subject to fewer restrictions. They are financed by receipts of future taxes, fees, lease payments, federal grants, lottery earnings, or tobacco settlement payments. The idea is to securitize expected streams of cash to allow state and local officials to spend now rather than later. The trend to securitize and spend is called "innovative finance" in state budget circles.

An industry journal, *The Bond Buyer*, is full of stories on the latest Wall Street methods to help government officials put their jurisdictions further into debt. A growing trend is to securitize future federal aid for highways, housing, and other items in "grant anticipation" debt.

Federal aid has long spurred overspending by the states, but such debt innovation is exacerbating the problem. Recent federal legislation has created new ways for states to go further into debt, such as the creation of three types of municipal "tax credit bonds."

Policies Favor Govt. Debt

Interest payments on municipal bonds are generally exempt from the federal income tax. State and local debt is thus tax-favored over private debt, creating an economic distortion. As a result, debt issued to finance government schools, airports, parking lots, and other facilities is favored