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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

511-01
01-67

January 12, 1981

President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to distribute to residents of the state the premium earned from the sale of the state's royalty oil held December 19, 1980. The purposes of this distribution are twofold: one relates to the reasons for having held the royalty oil sale, and the other relates to the delays we have encountered in distributing permanent fund dividends as a result of the pending litigation over that program.

A primary motivation for disposing of the uncommitted royalty oil by cash bid was to insure that the benefits of selling the state's oil would go to the largest possible number of Alaska residents. Had this oil been sold under a negotiated contract, benefits would certainly have accrued to some state residents. However, all residents would not necessarily have been benefited, and certainly not in equal measure. By distributing the premium obtained over current in-value prices directly to the residents of the state, residents will gain an increased awareness that the state's natural resources do in fact belong to them as residents of the state. Although I do not as a rule favor distributing revenues received directly from oil production (as opposed to earnings from the Permanent Fund), in this limited instance I believe distribution is appropriate and in the public interest.

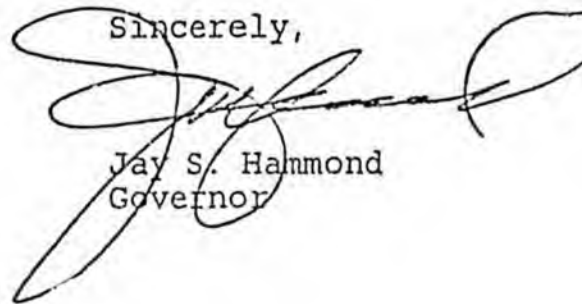
A second purpose of the distribution is to fulfill to some degree the expectations raised by the enactment of the permanent fund dividend program, implementation of which continues to be delayed by litigation. A per capita distribution does not, of course, achieve the important goals that are furthered by distribution plan tied to length of residency. But because it is important to provide for some immediate distribution, the distribution method in this bill is intended to avoid raising the legal issues raised by the dividend plan.

66-11

The bill provides for a single payment of \$193 to each state resident, including those under 18 years of age. The amount of the payment is roughly equal to the \$77 million premium from the oil sale divided by the current estimated state population of 400,000. A residency requirement of 30 days has been included as this is the shortest period we have determined is necessary to assure that all applicants are bona fide residents. The other eligibility requirements, as well as the provision for forfeiture of the payment for fraudulent applications, are patterned after similar provisions in the permanent fund dividend statute.

Establishing an application deadline has been left flexible, to be determined and extended if necessary by the Department of Revenue, to insure that all residents have sufficient time to submit applications.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Jay S. Hammond". The signature is written over the typed name and title.

Jay S. Hammond
Governor


MEMORANDUM

TO: Joseph K. Donohue
Deputy Commissioner
Department of Revenue

DATE: January 13, 1981

FILE NO:

TELEPHONE NO:

FROM: Fred P. Boetsch 
Director
Enforcement Division

SUBJECT: Fiscal Note Regarding
Royalty Premium Payments

This bill provides for a one time payment to all residents of the state of \$193 which derives from the sale of the state's royalty share of oil held on December 19, 1980. The only requirement is that they have been a resident for a minimum of 30 days and intend to remain a resident of the state as of the date of filing and application. Aside from the difference in residency requirement and the fact that the distribution applies to all residents of the state including minors, the rest of this distribution parallels in many respects the Permanent Fund Dividend Act, AS 43.23. The list of allowable absences is identical.

We anticipate that some 400 thousand applications would be filed under this bill. Phil Wall is preparing a fiscal note on the impact of such a filing on the Administrative Services Division which includes all of the paperwork processing, the computer processing, program development, etc. The Enforcement Division would be charged with conducting investigations of eligibility for applicants under this program.

Based on our experience with the investigations of the Permanent Fund Dividend program, we believe that, for the most part, the eligibility of applicants under this program could be investigated in the same way. The exception would be with respect to residents who only claim 30 day residency. I anticipate that fewer than 3% of the entire number of applicants would fall into this category. We could have a substantial problem with respect to military applicants who may be presently in the state for a brief period of time who could meet the thirty day residency requirement and claim, for purposes of this act, an intention to remain in the state even though they might not subsequently do so upon completion of their tour of duty here. Again, that would be a relatively small percentage of the total number of applicants and we could address a specific program to those applicants should a preliminary investigation indicate a substantial problem.

Accordingly, we believe that the addition of four Tax Collection Specialists supervised by a Tax Examiner III for a period of about 12 months would be adequate to conduct any investigations necessary under this program. In addition to the personal service costs of those individuals, we would need \$20,000 in travel to assist people in rural areas. We would expect an increase in our phone bill due to both answering questions through the zenith phone number with regard to this program and using the telephone by the TCS's as a means of conducting the investigation. I estimate the additional telephone costs would be about \$25,000. We would also have an increase in postage and printing costs for letters to be sent to applicants of about \$2,500. Commodities would cost \$2,000. Additional desks, chairs, typewriters, calculators, etc. would come to about \$5,000. The total cost of the program would be \$201,621 which would be distributed between fiscal years 1981 and 1982 in the following manner assuming an April 1, 1981 start-up date.

Fiscal Year 1981	3 months	\$ 53,247
Fiscal Year 1982	9 months	148,374

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 66

Title An Act providing for royalty oil premium payments

Requested by Governor

Date 01/13/81

II. FISCAL DETAIL

Agency Affected Revenue

Program Category Affected _____

BRU, Program, or Subprogram(s) Affected _____

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING ^{Millions}
(Thousands of Dollars)

GENERAL FUND	77.0	→	φ			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

According to the Department of Natural Resources \$77 million is the premium earned by the state in taking its oil in kind and selling at public auction rather than taking in value. The premium was figured by multiplying the average premium -- \$2.57/barrel -- by the number of barrels available per day -- 84,375 b/d -- times 365 days. As the total amount of oil is not decontrolled until October 1981, a certain percentage is deducted to take that into account.

IV. DATE 01/13/81

PREPARED BY Joseph K. Donohue

AGENCY Revenue

PHONE 465-2302

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 66

Title Providing for Royalty Oil Premium payments to State residents.

Requested by Governor Jav S. Hammond Date 1/12/81

II. FISCAL DETAIL

Agency Affected _____ Revenue _____

Program Category Affected _____ General Government _____

BRU, Program, or Subprogram(s) Affected Administration and Support, Management Services

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES	237.2	→	0			
200 TRAVEL	3.6	→	0			
300 CONTRACTUAL	332.4	→	0			
400 COMMODITIES	9.0	→	0			
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	582.2	→	0			

FUNDING (Thousands of Dollars)

GENERAL FUND	582.2	→	0			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME	26/113mm					
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The providing of Royalty Oil Premium payments is considered a one-time project which will begin in FY81 and end in FY82. The fiscal detail described, above, should be authorized through 6/30/82. It is assumed that supervisory, space and related needs will be available from existing resources. This funding will allow the design and operations required to print, distribute and process Royalty Premium Payment application forms. 400,000 residents are assumed.

Positions:

Design & Program: (1) Data Capture, 1 1/2 mm; (2) Edit and Error Correction, 1 1/2 mm; (3) Files and Storage, 1 mm; (4) Reports, 1 mm; (5) Enforcement Requirements, 1 mm; (6) Payments, 1 mm; and (7) Attachment Procedures, 1 mm.

IV. DATE January 13, 1981

PREPARED BY Philip A. Wall, Director

AGENCY Administrative Services, Dept. of Revenue

Original: Legislative Finance

PHONE (907) 465-2313

cc: Budget and Management

Prime Sponsor (First Legislator Named)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. S5 66
 Title Royalty Oil Premium Payment
 Requested by Governor Date January 13, 1981

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected Revenue Collections and Management
 BRU, Program, or Subprogram(s) Affected Enforcement Division

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES	36.7	110.4	0	0	0	0
200 TRAVEL	5.0	15.0	0	0	0	0
300 CONTRACTUAL	6.0	21.5	0	0	0	0
400 COMMODITIES	0.5	1.5	0	0	0	0
500 EQUIPMENT	5.0	0	0	0	0	0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	53.2	148.4	0	0	0	-0

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND	53.2	148.4	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME	5	5	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See memo from Fred Boetsch, Director of Enforcement to Joseph K. Donohue, Deputy Commissioner for Taxation, dated January 13, 1981, attached.

IV. DATE January 13, 1981 PREPARED BY Fred Boetsch
 AGENCY Revenue
 Original: Legislative Finance PHONE 465-2366
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

3 PPT @ 3, 2, & 2 mm = 8 mm @ 2640 (R18) plus 25%:	26.4
<u>Data Capture:</u> 400,000 applications. 10 PPT. 5 @ 5 mm and 5 @ 4 mm = 45 mm @ 1392 plus 25%:	78.4
<u>Document Processing:</u> (Mail Room, Pre-Edit, Batching and Warrant Control) 11 PPT. 6 @ 5 mm and 5 @ 4 mm = 50 mm @ 1392 plus 25%:	87.1
<u>Inquiry Response:</u> 1 PPT, 5 mm @ 1393 plus 25%:	8.7
<u>Attachment Processing:</u> 1 PPT, 5 mm @ 1393 plus 25%:	8.7
<u>Overtime:</u>	18.9
<u>Shift Differential:</u>	9.0
<u>Travel:</u>	3.6
<u>Contractual:</u>	
<u>Forms:</u> 1. 400,000 base distribution, 1 part @ \$45M	18.0
2. 250,000 supplemental distribution, 1 part @ \$45M	16.0
3. 400,000 warrants @ \$25M	10.0
<u>Postage:</u> 1. Forms distribution, 6500,000 @ .15 each	97.5
2. 400,000 warrant payments @ .15 each	60.0
3. If postage increase to .20 each, .05 additional for 2,050,000 items	52.5
4. Inquiry response, 6,000 letters @ .15 each	1.0
<u>DP Chargeback:</u> Disk storage: 200 million bytes @ \$4/mo/million bytes X 12	4.6
Processing charge @ 4 mos.	40.0
Terminal processing and long line @ 391 X 15 X 4 mos.	23.5
<u>Storage of Forms:</u> @ \$170/Mo X 3 mos.	0.5
<u>Machine Rental:</u> 15 CRT @ 80/mo X 4 mos.	4.8
1 Controller @ 705/mo X 4 mos.	2.8
1 Printer @ 286/mo X 4 mos.	1.2
<u>Commodities:</u>	9.0