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BILL NUMBER AB 358 **

DATE	ACTION
1/22/88	MOVED OUT, ADOPTED FOR LANGUAGE

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House State Affrs:

January 22, 1988



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

STATE AFFAIRS COMMITTEE HOUSE BILL 358

FILE CONTENTS

1. HB 358: AN ACT MAKING SPECIAL APPROPRIATIONS OF WINDFALL RECEIPTS TO THE PRINCIPAL OF THE PERMANENT FUND, TO THE BUDGET RESERVE FUND, AND TO THE PUBLIC SCHOOL FUND; AND PROVIDING FOR AN EFFECTIVE DATE.
- 1A. MEMORANDUM FROM REPRESENTATIVE ULMER TO THE HOUSE STATE AFFAIRS COMMITTEE, DATED JANUARY 21, 1988
2. MEMORANDUM FROM ROBERT MAYNARD TO SENATOR JOHNE BINKLEY, DATED 11/23/87
3. ALASKA STATUTES, AS 37.13.010 THROUGH AS 37.14.170

FISCAL NOTES

- A. DEPARTMENT OF REVENUE, INCOME AND EXCISE AUDIT, DATED 1/18/88: -0-

STEVE KETTLE: DOR

FIND NO PROBLEM WITH INTENT AND PURPOSE. PROPOSED AMENDMENTS COULD MAKE IT CLEAR WHAT SETTLEMENTS ARE WE TARGETING. HIS DIVISION IS RESPONSIBLE FOR ALL STATE TAXES OTHER THAN THE ROYALTY AND SEVERANCE TAX. BOB MAYNARD POINTED OUT IT IS DIFFICULT TO ESTIMATE HOW MUCH OR WHEN THAT REVENUE WILL BE PAID INTO THE STATE.

FRAN

PHILOSOPHY BEHIND THE BILL IS THAT THESE WINDFALLS SHOULD NOT BE CONSIDERED ORDINARY INCOME. WE SHOULD THINK ABOUT THEM AS NOT SOMETHING ALLOWS US JUST TO CONTINUE TO SPEND AS WE HAVE IN THE PAST. HALF SHOULD GO TO PP AND BRP AND PARTION TO SCHOOL FUND.

CONSTITUTIONALLY HALF GOES IN; I.E. ONLY CERTAIN TYPES OF REVENUES. ROYALTYS, LEASES, BONUS'S BUT NOT TAXES. THERE ARE CERTAIN WINDFALLS THAT ARE ANTICIPATED THAT DON'T GO INTO THE PP. THERE ARE SOME TAXES COVERED UNDER SECTIONS 4 AND 5 NONE OF IT GOES TO PF OR BRP. THOSE NORMALLY GO TO GF.

AMENDMENTS: CLAIFICATIONS TO DEFINE WHAT WE ARE LOOKING FOR.

SECTION 1, 2 AND 3: CONSISTENCY. PROPOSED "FINAL JUDICIAL DETERMINATION IN" AS OPPOSED TO "OTHER CONCLUSIONS". IN THE AMERADA AND DINKUM CASES, THERE IS LITTLE DISPUTE AS TO WHAT A FINAL DETERMINATION WILL BE. ONCE ITS OVER ITS OVER. BUT WITH THE LANGUAGE PROPOSED THE MONEY WOULD NOT BE DISTRIBUTED UNTIL A FINAL DETERMINATION OF THE COURT.

SECTION 4 AND 5: DIFFERENCE IS INCLUDED "AN AGREEMENT UNDER AS 43.05.060 FOR THE TERM "SETTLEMENT". WHAT THAT REFERS TOO, AS.05.060, IS THE LANGUAGE THAT GIVES THE AUTHORITY TO DOR TO ENTER INTO A FINAL RESOLUTION OF A TAX MATTER. ONLY DO THAT UNTIL GET THE CONCURRENCE OF THE DOL. POINT THAT HAPPENS, WE ENTER INTO THAT AND DOR APPROVES IT THEN IT BECOMES FINAL AND IT IS NOT SUBJECT TO BE REOPENED, AT THAT POINT THE CASE IS FINAL. OTHERWISE THE TAX PAYER COULD RAISE THE ISSUE AGAIN.

WITHIN THE DEPT., FOR INSTANCE, WE HAVE A NUMBER OF DIFFERENT PHASES IN THE ADMIN APPEAL PROCESS WHERE SOMEONE COULD CONTEND THAT IT WAS A CONCLUSION OR SETTLEMENT AND WE HAVE THE INFORMAL CONFERENCE, FORMAL HEARING AND IT GOES TO COURT ON UP. THE LANGUAGE THEY PROPOSE HERE WOULD NOT MAKE THE MONEY ABLE TO GO INTO THE FUNDS UNTIL EXHAUSTED ALL AVENUES OF APPEAL AND BECAME FINAL.

"PERSON ENGAGED IN THE TRANSPORTATION BY" .."OIL AND GAS IN THE STATE"- CLARIFYCATION WHAT PORTION OF CHAP 20 THAT WE ARE DEALING WITH AS WELL AS CHAP 21 AND 55. THESE ARE THE SEVERANCE TAX STATITUES RELATING TO SEPERATING ACCOUNTING.

A

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: HB 358
PUBLISH DATE: 1/18/88

FISCAL NOTE

REQUEST:

Revision Date: 1/18/88
Title: "An Act making special appropriations of windfall receipts to ..."
Sponsor: Ulmer, Navarre, Brown & Davis
Requestor: St. Aff., Hlth, Ed & Soc Svcs.

Agency Affected: Revenue
BRU: Income and Excise Audit
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: 465-2320
Date: 1/18/88

Approved by Commissioner:
Agency:

Date: 1/19/88

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB358
Publish Date: 1/13/88

REQUEST _____

Revision Date: _____
Title: An Act making special appropriations
ow windfall receipts to the PF.....
Sponsor: Ulmer et al
Requestor: State Affairs

Agency Affected: Revenue
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary
(see attached analysis)

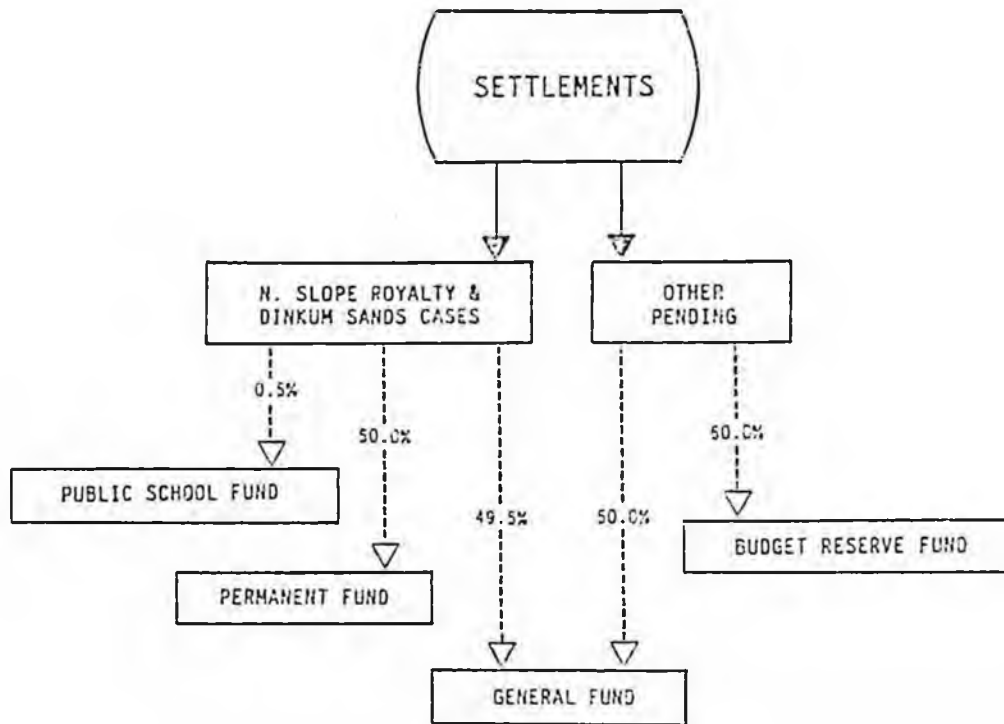
Prepared By: M. E. Frank & R. W. Elliott
Division: Office of the Commissioner, Research
Approved by Commissioner: [Signature]
Agency: _____

Phone: 465-2174
Date: 1/20/88
Date: 1/22/88

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

HB 358 would appropriate to various funds, windfall receipts from settlements of the North Slope royalty/Dinkum Sands cases and other pending litigation. The specific amounts of the settlements cannot be anticipated at the current time. The flowchart below shows where receipts would go.



The analysis attached indicates the effect of a \$100 million addition to the Permanent Fund in FY 1989. The amounts are the addition to the September 1987 forecast that result from a one time addition to the Permanent Fund. This forecast is presented on pages 44 - 46 of the September, 1987 REVENUE SOURCES. Once a better idea of possible receipts is known, this analysis can be a guide to what the effects of the specific numbers would be. It should be noted that any additions to the General Fund, Budget Reserve Fund, and Public School Fund will increase the respective investment earnings which may also be appropriated.

(millions of current dollars unless otherwise noted)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	TOTAL	YEARLY
	DEFERRED FUND- CONTR	APPROF	PRINCIPAL BALANCE	INFLATION PROOFING	PRINCIPAL BALANCE	TOTAL EARNINGS	DISP. AC EARNINGS	INCOME AVAIL FOR INFL. PROOF	DIVIDEND PROGRAM COSTS	FFO CLAIM YEAR	FFO FUND PRINCIPAL FEAR BIL	FFO FUND BALANCE NOMINAL	FFO FUND N.M. BAL
81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
82	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
83	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
88	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
89	0.00	100.00	100.00	4.62	104.62	9.44	7.00	8.63	0.00	0.00	75.96	108.63	108.63
90	0.00	0.00	104.62	5.24	109.87	10.12	4.19	8.22	1.01	0.00	75.96	116.25	116.25
91	0.00	0.00	109.87	5.43	115.30	11.78	3.25	8.20	2.10	0.00	75.78	124.25	124.25
92	0.00	0.00	115.30	6.31	121.61	12.97	9.10	7.62	3.28	0.00	75.78	132.28	132.28
93	0.00	0.00	121.61	6.66	128.27	12.80	11.78	6.91	4.25	0.00	75.78	139.28	139.28
94	0.00	0.00	128.27	7.02	135.29	12.46	12.59	7.17	5.37	0.00	75.78	145.45	145.45
95	0.00	0.00	135.29	7.43	142.72	14.16	12.29	7.45	6.29	0.00	75.78	152.92	152.92
96	0.00	0.00	142.72	8.03	150.75	15.28	14.25	8.25	6.70	0.00	75.67	162.17	162.17
97	0.00	0.00	150.75	8.71	159.46	16.29	15.12	8.64	7.13	0.00	75.67	170.51	170.51
98	0.00	0.00	159.46	9.22	168.68	17.08	16.02	9.26	7.56	0.00	75.67	179.26	179.26
99	0.00	0.00	168.68	9.75	178.43	17.97	16.96	9.49	8.01	0.00	75.67	188.25	188.25
00	0.00	0.00	178.43	10.31	188.74	18.92	17.94	9.94	8.45	0.00	75.67	197.29	197.29
01	0.00	0.00	188.74	10.97	199.71	20.25	18.94	10.28	8.93	0.00	75.64	207.07	207.07
02	0.00	0.00	199.71	11.67	211.38	21.12	19.98	11.13	9.47	0.00	75.64	217.03	217.03
03	0.00	0.00	211.38	12.35	223.73	22.24	21.25	11.71	9.99	0.00	75.64	227.21	227.21
04	0.00	0.00	223.73	13.07	236.80	23.42	22.27	12.31	10.53	0.00	75.64	237.95	237.95
05	0.00	0.00	236.80	13.84	250.64	24.66	23.41	12.95	11.10	0.00	77.57	249.28	249.28

(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	YEARLY
	AVAIL INFLATION PROOFING TOTAL	CURRENT EARNINGS	DEPOSIT/ -/DRAWAL	UNDISTURBED EARNINGS	INCOME SUBSES	INCOME ACCOUNT	CUMULATIVE EARNINGS	TOTAL	REQUIRED INFLATION PROOFING	SHORTFALL INFLATION PROOFING	CUMUL SHORT INFLATION PROOFING	YEARLY ADD'N EPA TOTAL
81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
82	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
83	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
88	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
89	4.62	8.63	4.01	0.00	0.00	4.01	0.00	4.01	4.62	0.00	0.00	4.01
90	5.24	8.72	2.63	0.23	0.00	6.69	0.00	6.69	5.24	0.00	0.00	2.63
91	5.90	8.60	2.11	0.65	0.00	6.99	0.00	6.99	5.90	0.00	0.00	2.11
92	6.21	7.52	1.21	0.87	0.00	10.20	0.00	10.20	6.21	0.00	0.00	1.21
93	6.66	6.91	0.25	0.79	0.00	10.45	0.00	10.45	6.66	0.00	0.00	0.25
94	7.02	7.17	0.15	1.01	0.00	10.65	0.00	10.65	7.02	0.00	0.00	0.15
95	7.43	7.45	0.02	1.03	0.00	10.65	0.00	10.65	7.43	0.00	0.00	0.02
96	8.03	8.25	0.22	1.07	0.00	10.68	0.00	10.68	8.03	0.00	0.00	0.22
97	8.71	8.64	-0.07	1.07	0.00	10.81	0.00	10.81	8.71	0.00	0.00	-0.07
98	9.22	9.06	-0.16	1.03	0.00	10.65	0.00	10.65	9.22	0.00	0.00	-0.16
99	9.75	9.49	-0.26	1.06	0.00	10.29	0.00	10.29	9.75	0.00	0.00	-0.26
00	10.31	9.94	-0.37	1.04	0.00	10.02	0.00	10.02	10.31	0.00	0.00	-0.37
01	10.97	10.28	-0.39	1.01	0.00	9.63	0.00	9.63	10.97	0.00	0.00	-0.39
02	11.67	11.15	-0.54	0.97	0.00	9.27	0.00	9.27	11.67	0.00	0.00	-0.54
03	12.35	11.71	-0.65	0.91	0.00	8.45	0.00	8.45	12.35	0.00	0.00	-0.65
04	13.07	12.31	-0.76	0.85	0.00	7.69	0.00	7.69	13.07	0.00	0.00	-0.76
05	13.84	12.95	-0.89	0.77	0.00	0.00	0.00	0.00	13.84	6.80	6.80	-7.69

(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)
	EARNINGS TRANSFER	FFO FUND APPROF	CLAIM YEAR	FFO PROGRAM PAYMENT	FFO PROGRAM ADM & OTHER	TOTAL TOTAL	TOTAL FFO APPLICANTS	DIVIDEND INCENTIVES TOTAL	TOTAL TOTAL
81	0.00	0.00	00	0.00	0.00	0.00	0.00	0.00	0.00
82	0.00	0.00	01	0.00	0.00	0.00	0.00	0.00	0.00
83	0.00	0.00	02	0.00	0.00	0.00	0.00	0.00	0.00
84	0.00	0.00	03	0.00	0.00	0.00	0.00	0.00	0.00
85	0.00	0.00	04	0.00	0.00	0.00	0.00	0.00	0.00
86	0.00	0.00	05	0.00	0.00	0.00	0.00	0.00	0.00
87	0.00	0.00	06	0.00	0.00	0.00	0.00	0.00	0.00
88	0.00	0.00	07	0.00	0.00	0.00	0.00	0.00	0.00
89	1.01	0.00	08	1.01	0.00	1.01	0.00	1.01	1.01
90	2.10	0.00	09	2.10	0.00	2.10	0.00	2.10	2.10
91	3.28	0.00	10	3.28	0.00	3.28	0.00	3.28	3.28
92	4.25	0.00	11	4.25	0.00	4.25	0.00	4.25	4.25
93	5.37	0.00	12	5.37	0.00	5.37	0.00	5.37	5.37
94	6.29	0.00	13	6.29	0.00	6.29	0.00	6.29	6.29
95	7.13	0.00	14	7.13	0.00	7.13	0.00	7.13	7.13
96	8.01	0.00	15	8.01	0.00	8.01	0.00	8.01	8.01
97	8.45	0.00	16	8.45	0.00	8.45	0.00	8.45	8.45
98	8.99	0.00	17	8.99	0.00	8.99	0.00	8.99	8.99
99	9.47	0.00	18	9.47	0.00	9.47	0.00	9.47	9.47
00	9.94	0.00	19	9.94	0.00	9.94	0.00	9.94	9.94
01	10.28	0.00	20	10.28	0.00	10.28	0.00	10.28	10.28
02	10.68	0.00	21	10.68	0.00	10.68	0.00	10.68	10.68
03	11.13	0.00	22	11.13	0.00	11.13	0.00	11.13	11.13
04	11.67	0.00	23	11.67	0.00	11.67	0.00	11.67	11.67
05	12.31	0.00	24	12.31	0.00	12.31	0.00	12.31	12.31

PREPARED BY THE DOR
DIVISION OF INCOME & EXCISE AUDIT
CARL A. MEYER
JANUARY 19, 1988

IN THE HOUSE

PROPOSED AMENDMENTS BY DOR TO

HOUSE BILL NO. 358

JANUARY 18, 1988

*Section 1. Fifty percent of the money received by the state after the effective date of this Act from a (THE) settlement or final judicial determination in (OTHER CONCLUSION OF) the North Slope royalty case (State v. Amerada Hess, et al.) and the Dinkum Sands case (United States v. Alaska) is appropriated to the principal of the permanent fund to implement AS 37.13.101.

*Section 2. Forty-nine and one-half percent of the money received by the state after the effective date of this Act from a (THE) settlement or final judicial determination in (OTHER CONCLUSION OF) the North Slope royalty case (State v. Amerada Hess, et al.) and the Dinkum Sands case (United States v. Alaska) is appropriated to the budget reserve fund (AS 37.05.156).

*Section 3. One-half of the money received by the state after the effective date of this Act from a (THE) settlement or final judicial determination in (OTHER CONCLUSION OF) the North Slope royalty case (State v. Amerada Hess et al.) and the Dinkum Sands case (United States v. Alaska) is appropriated to the public school fund (AS 37.14.110).

*Section 4. One-half of the money not included in the estimated receipts set out in the budget for fiscal year 1989 submitted under AS 37.07.020(a) that is received by the state during the fiscal year ending June 30, 1989, from an agreement under AS 43.05.060 (THE SETTLEMENT) or a final judicial determination (OTHER CONCLUSION OF PENDING TAX PROCEEDINGS) against an oil and gas producer or person engaged in the transportation by pipeline of oil and gas in the state under AS 43.20, former AS 43.21, or AS 43.55, is appropriated to the principal of the permanent fund.

*Section 5. One-half of the money not included in the estimated receipts set out in the budget for fiscal year 1989 submitted under AS 37.07.020(A) that is received by the state during the fiscal year ending June 30, 1989, from an agreement under AS 43.05.060 (THE SETTLEMENT) or final judicial determination (OTHER CONCLUSION OF PENDING TAX PROCEEDINGS) against an oil and gas producer or person engaged in the transportation by pipeline of oil and gas in the state under AS 43.20, former AS 43.21, or AS 43.55, is appropriated to the budget reserve fund (AS 37.05.156).

*Section 6. This Act takes effect immediately under AS 01.10.070(c).

Original sponsors: Ulmer, Navarre,
Brown and Davis

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 358 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making special appropriations of windfall
7 receipts to the principal of the permanent fund, to
8 the budget reserve fund, and to the public school
9 fund; and providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. Fifty percent of the money received by the state after the
12 effective date of this Act from a settlement or final judicial determina-
13 tion in the North Slope royalty case (State v. Amerada Hess, et al.) and
14 the Dinkum Sands case (United States v. Alaska) is appropriated to the
15 principal of the permanent fund to implement AS 37.13.010.

16 * Sec. 2. Forty-nine and one-half percent of the money received by the
17 state after the effective date of this Act from a settlement or final
18 judicial determination in the North Slope royalty case (State v. Amerada
19 Hess, et al.) and the Dinkum Sands case (United States v. Alaska) is appro-
20 priated to the budget reserve fund (AS 37.05.156).

21 * Sec. 3. One-half percent of the money received by the state after the
22 effective date of this Act from a settlement or final judicial determina-
23 tion in the North Slope royalty case (State v. Amerada Hess, et al.) and
24 the Dinkum Sands case (United States v. Alaska) is appropriated to the
25 public school fund (AS 37.14.110).

26 * Sec. 4. One-half of the money not included in the estimated receipts
27 set out in the budget for fiscal year 1989 submitted under AS 37.07.020(a)
28 that is received by the state during the fiscal year ending June 30, 1989,
29 from an agreement under AS 43.05.060 or a final judicial determination

1 against an oil and gas producer or person engaged in the transportation by
2 pipeline of oil and gas in the state under AS 43.20, former AS 43.21, or
3 AS 43.55 is appropriated to the principal of the permanent fund.

4 * Sec. 5. One-half of the money not included in the estimated receipts
5 set out in the budget for fiscal year 1989 submitted under AS 37.07.020(a)
6 that is received by the state during the fiscal year ending June 30, 1989,
7 from an agreement under AS 43.05.060 or final judicial determination
8 against an oil and gas producer or person engaged in the transportation by
9 pipeline of oil and gas in the state under AS 43.20, former AS 43.21, or
10 AS 43.55, is appropriated to the budget reserve fund (AS 37.05.156).

11 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

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Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: House State Affairs Committee Members

FROM: Representative Fran Ulmer, Chair
House State Affairs Committee

SUBJECT: HB 358: "An Act making special appropriations of windfall receipts to the principal of the permanent fund, the budget reserve fund, and to the public school fund; and providing for an effective date."

DATE: January 21, 1988

Sections 1, 2 and 3 make a special appropriation of windfall receipts received by the state from the North Slope royalty case and the Dinkum Sands Case to the principal of the Permanent Fund, to the Budget Reserve Fund and to the Public School Fund.

Sections 4 and 5 appropriate windfall receipts received by the state during fiscal year 1989 from tax proceedings against oil and gas production or pipeline companies under AS 43.20 (corporate income tax), and AS 43.55 (oil and gas properties production tax), and AS 43.55 (oil and gas properties production tax).

The provisions of HB 358 apply only to revenue received after the effective date of this bill. Therefore the above appropriations do not include the \$322 million recently received by the state as revenue sharing.

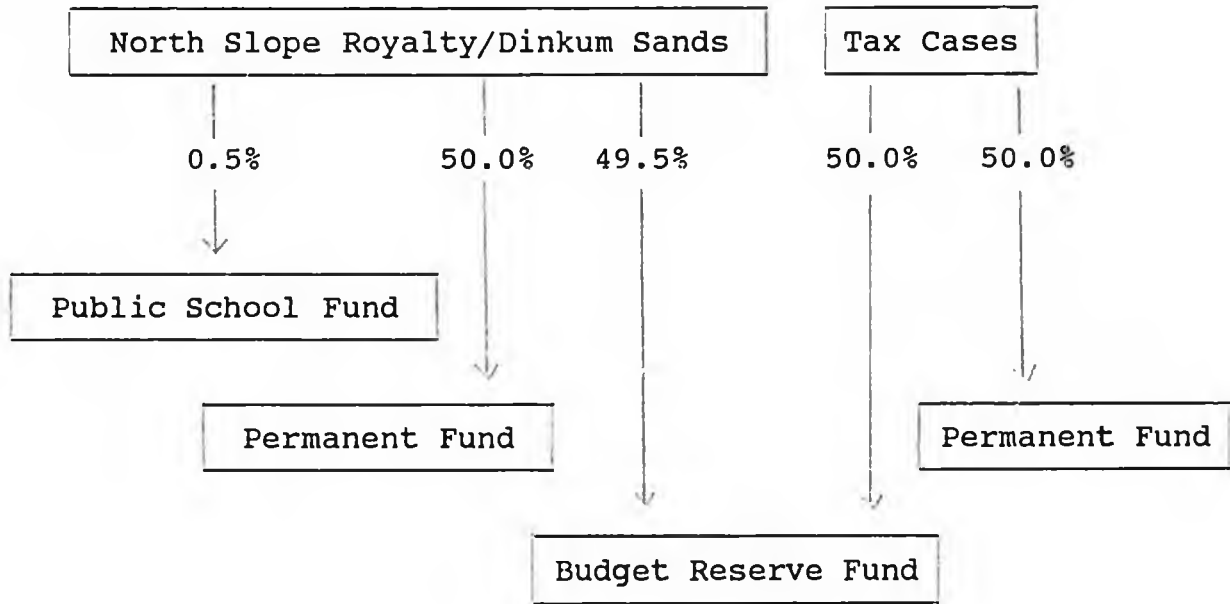
The proposed legislation would accomplish the following:

- 1) Dedicate funds to the principal of the Permanent Fund at a time when revenue decline reduces the likelihood of comparable deposits; and
- 2) Create a cushion against budget shortfalls.

TABLE 1 *

HB 358 appropriates various oil and gas windfall receipts and pending tax case receipts to the following funds:

SETTLEMENTS AND CONCLUSIONS



*
SOURCE: DOR

PREPARED BY THE DOR
DIVISION OF INCOME & EXCISE AUDIT
CARL A. MEYER
JANUARY 19, 1988

IN THE HOUSE

PROPOSED AMENDMENTS BY DOR TO

HOUSE BILL NO. 358

JANUARY 18, 1988

*Section 1. Fifty percent of the money received by the state after the effective date of this Act from a (THE) settlement or final judicial determination in (OTHER CONCLUSION OF) the North Slope royalty case (State v. Amerada Hess, et al.) and the Dinkum Sands case (United States v Alaska) is appropriated to the principal of the permanent fund to implement AS 37.13.101.

*Section 2. Forty-nine and one-half percent of the money received by the state after the effective date of this Act from a (THE) settlement or final judicial determination in (OTHER CONCLUSION OF) the North Slope royalty case (State v. Amerada Hess, et al.) and the Dinkum Sands case (United States v. Alaska) is appropriated to the budget reserve fund (AS 37.05.156).

*Section 3. One-half of the money received by the state after the effective date of this Act from a (THE) settlement or final judicial determination in (OTHER CONCLUSION OF) the North Slope royalty case (State v. Amerada Hess et al.) and the Dinkum Sands case (United States v. Alaska) is appropriated to the public school fund (AS 37.14.110).

*Section 4. One-half of the money not included in the estimated receipts set out in the budget for fiscal year 1989 submitted under AS 37.07.020(a) that is received by the state during the fiscal year ending June 30, 1989, from an agreement under AS 43.05.060 (THE SETTLEMENT) or a final judicial determination (OTHER CONCLUSION OF PENDING TAX PROCEEDINGS) against an oil and gas producer or person engaged in the transportation by pipeline of oil and gas in the state under AS 43.20, former AS 43.21, or AS 43.55, is appropriated to the principal of the permanent fund.

*Section 5. One-half of the money not included in the estimated receipts set out in the budget for fiscal year 1989 submitted under AS 37.07.020(A) that is received by the state during the fiscal year ending June 30, 1989, from an agreement under AS 43.05.060 (THE SETTLEMENT) or final judicial determination (OTHER CONCLUSION OF PENDING TAX PROCEEDINGS) against an oil and gas producer or person engaged in the transportation by pipeline of oil and gas in the state under AS 43.20, former AS 43.21, or AS 43.55, is appropriated to the budget reserve fund (AS 37.05.156).

*Section 6. This Act takes effect immediately under AS 01.10.070(c).

Original sponsors: Ulmer, Navarre,
Brown and Davis

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 358 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making special appropriations of windfall
7 receipts to the principal of the permanent fund, to
8 the budget reserve fund, and to the public school
9 fund; and providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. Fifty percent of the money received by the state after the
12 effective date of this Act from a settlement or final judicial determina-
13 tion in the North Slope royalty case (State v. Amerada Hess, et al.) and
14 the Dinkum Sands case (United States v. Alaska) is appropriated to the
15 principal of the permanent fund to implement AS 37.13.010.

16 * Sec. 2. Forty-nine and one-half percent of the money received by the
17 state after the effective date of this Act from a settlement or final
18 judicial determination in the North Slope royalty case (State v. Amerada
19 Hess, et al.) and the Dinkum Sands case (United States v. Alaska) is appro-
20 priated to the budget reserve fund (AS 37.05.156).

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1 against an oil and gas producer or person engaged in the transportation by
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3 AS 43.55 is appropriated to the principal of the permanent fund.

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8 against an oil and gas producer or person engaged in the transportation by
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10 AS 43.55, is appropriated to the budget reserve fund (AS 37.05.156).

11 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).
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5-1160A
Utermohle
1/11/88

1 IN THE HOUSE

BY ULMER

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making special appropriations of windfall
7 receipts to the principal of the permanent fund and
8 to the budget reserve fund; and providing for an
9 effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. One-half of the money received by the state after the
12 effective date of this Act from the settlement or other conclusion of the
13 North Slope royalty case (State v. Amerada Hess, et al.) and the Dinkum
14 Sands case (United States v. Alaska) is appropriated to the principal of
15 the permanent fund to implement AS 37.13.010.

16 * Sec. 2. One-half of the money received by the state after the effec-
17 tive date of this Act from the settlement or other conclusion of the North
18 Slope royalty case (State v. Amerada Hess, et al.) and the Dinkum Sands
19 case (United States v. Alaska) is appropriated to the budget reserve fund
20 (AS 37.05.156).

21 * Sec. 3. One-half of the money not included in the estimated receipts
22 set out in the budget for fiscal year 1989 submitted under AS 37.07.020(a)
23 that is received by the state during the fiscal year ending June 30, 1989,
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2 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

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STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 11, 1988

SUBJECT: Draft bill appropriating windfall receipts
(Work Order No. 5-1160A)

TO: Representative Fran Ulmer

FROM: George Utermohle *GU*
Legislative Counsel

This memorandum accompanies a new version of a draft bill appropriating certain windfall receipts by the state to the principal of the permanent fund and to the the budget reserve fund.

This version of the bill clarifies that the bill applies only to funds received from the Amerada Hess case and the Dinkum Sands case after the effective date of this bill. The \$322 million just received as part of the Dinkum Sands case is not subject to this bill.

In regard to the letter from Jack Fragnoli to you, dated January 8, 1988, suggesting that this bill may conflict with sec. 2, ch. 5, FSSLA 1987 because this bill is appropriating fiscal year 1988 general fund surplus money that has already been appropriated by sec. 2, ch. 5 FSSLA 1987, there is no conflict between this bill and sec. 2, ch. 5, FSSLA 1987. First, this bill relates to money received by the state after the effective date of the bill. It is not expected that the state will receive any more money from the settlement of these cases during fiscal year 1988, so no conflict is expected. Second, sec. 2, ch. 5 FSSLA 1987 appropriates any general fund surplus existing on June 30, 1988. If by some good fortune the state should receive money from the Amerada Hess case or the Dinkum Sands case before the end of this fiscal year, sec. 2, ch. 5 FSSLA 1988 still would not apply because this bill appropriates that money so

Representative Fran Ulmer
Page 2
January 11, 1988

that it would not be included in any general fund surplus. Third, to the extent that a conflict does exist, this bill having a later effective date will be presumed to have the effect of amending the prior law.

Also, in his letter Mr. Fragnoli correctly observes that the Governor's fiscal year 1989 budget submission does not disaggregate estimated receipts and that it is not possible to determine the source of anticipated receipts included in the budget. However secs. 3 and 4 of the bill are drafted to address this problem as specifically as anything can be given the existing budgeting procedures. The language of secs. 3 and 4 was drafted with the assistance of Legislative Finance.

GU:gc
WKG1:018

STATE OF ALASKA

OFFICE OF THE GOVERNOR
Office of Management and Budget
Division of Policy

Steve Cowper, Governor

P.O. Box AD
Juneau, Alaska 99811
Phone: (907)465-3568

January 8, 1988

The Honorable Fran Ulmer
Chair, State Affairs Committee
Alaska House of Representatives
State of Alaska - Pouch Y
Juneau, Alaska 99811

Dear Representative Ulmer:

At Dennis Burns' request, I am providing comments that bear on the intent of Sections 1-2 of your draft bill appropriating windfall receipts to the Permanent Fund and the Budget Reserve Fund. (A copy of the draft bill is attached).

Essentially, my question is whether these two sections of the bill intend that the two funds each should receive:

- (a) fifty percent of the total amount of Amerada Hess/Dinkum Sands money received by the State, including constitutionally and statutorily required dedications of a portion of those monies to the Permanent Fund [Alaska Constitution, Article IX, Sect. 15; AS 37.13.010(1-2); AS 37.14.150; attached] ; **or**,
- (b) fifty percent of the net amount that would go to the general fund after the constitutionally and statutorily required dedications to the Permanent Fund were made.

If (a) is the intent, then the draft as written appears to accomplish that purpose, by effectively appropriating to the Permanent Fund the difference between the amount already dedicated to the Permanent Fund by law and the amount equal to fifty percent of the total amount received by the State. If you haven't already done so, you may wish to confirm this interpretation with legal staff.

If (b) is the intent, however, clarifying language acknowledging the effect of the constitutional and statutory dedications needs to be added to Sections 1 and 2.

In addition to the comments above, two other points about the draft bill also should be noted. One is that House Bill 166 passed last session (ch. 5, SLA 87, attached) already provides that any FY89 year-end general fund surplus is appropriated to the Budget Reserve Fund. Since that surplus will incorporate any Amerada Hess/Dinkum Sands or tax settlement monies received during FY89 (see FY89 Dinkum Sands estimates from Dept. of Revenue, attached), you may wish to expressly coordinate the proposed draft bill with HB 166.

The second point to note is that, according to our understanding here in the Division of Policy, "estimated receipts" as referred to in Sections 3-4 of the proposed draft bill are not specified in the Governor's FY89 budget submission at the disaggregated level the draft bill anticipates. You may wish to confirm whether this is true with Jay Hogan's office.

Please don't hesitate to contact me if I can be of any further help.

Sincerely,

Jack Fargnoli

Jack Fargnoli
Senior Analyst

Attachments: (6)

cc: Mary Halloran, Director
Division of Policy

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

December 9, 1987

SUBJECT: Windfall Receipts (W.O. 5-1160)

TO: Representative Fran Ulmer
Attn: Dennis Burns

FROM: David R. Dierdorff 
Revisor of Statutes

Enclosed is the draft bill requested for you by Dennis Burns. I have deleted the reference to Arco v. State, because the two major Arco cases that have been made public are fully resolved. Arco may well be included among the taxpayers involved in the \$2.5 billion in pending tax proceedings, but it would not be appropriate to identify by taxpayer the potential receipts from those proceedings until their identity (and the amounts in dispute) are made public.

You might want to consider the following language, which would capture for your purposes any receipts from pending tax proceedings:

One-half of the money not included in the estimated receipts set out in the budget for fiscal year 1989 submitted under AS 37.07.020(a) that is received by the state during the fiscal year ending June 30, 1989, from the settlement or other conclusion of pending tax proceedings is appropriated to * * *

The matter would be simplified if the revenue side of the budget, and the revenue estimates, included an item describing estimated receipts from the collection of disputed or delinquent taxes. Unfortunately, such receipts appear only within the total estimated unrestricted general fund receipts. It is my understanding that "windfall" receipts are not projected, but are included only when the money is in the bank. Consequently, the suggested language should pick up any receipts that are not in the routine revenue flow.

If you want me to prepare a draft that would incorporate the suggested language, please advise.

DRD:mkr
m13/118

Enclosure

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

December 9, 1987

SUBJECT: Windfall Receipts (W.O. 5-1160)

TO: Representative Fran Ulmer
Attn: Dennis Burns

FROM: David R. Dierdorff 
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The matter would be simplified if the revenue side of the budget, and the revenue estimates, included an item describing estimated receipts from the collection of disputed or delinquent taxes. Unfortunately, such receipts appear only within the total estimated unrestricted general fund receipts. It is my understanding that "windfall" receipts are not projected, but are included only when the money is in the bank. Consequently, the suggested language should pick up any receipts that are not in the routine revenue flow.

If you want me to prepare a draft that would incorporate the suggested language, please advise.

DRD:mkr
m13/118

Enclosure

5-1160A ✓
Dierdorff
12/9/87

1 IN THE HOUSE

BY ULMER

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making special appropriations of windfall
7 receipts to the principal of the permanent fund and
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10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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14 is appropriated to the principal of the permanent fund.

15 * Sec. 2. One-half of the money received by the state from the settle-
16 ment or other conclusion of the North Slope royalty case (State v. Amerada
17 Hess, et al.) and the Dinkum Sands case (United States v. Alaska) is
18 appropriated to the budget reserve fund (AS 37.05.156).

19 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).
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STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

STEVE COWPER, GOVERNOR

REPLY TO:

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701-4679

November 23, 1987

P O BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600

The Honorable John Binkley
Co-Chairman
Senate Finance Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Re: Oil and gas litigation status
report

Dear Senator Binkley:

The Department of Law is actively engaged in oil and gas litigation on four broad fronts. These are summarized below:

State v. Amerada Hess. The North Slope royalty case presents a dispute over lease form interpretation and ultimately over the amount of royalty the state is entitled to from the North Slope producers from pipeline start-up through December 31, 1986. The parties had originally limited the suit to the period 1977 through 1984. As a result of recent negotiations, however, the parties decided to add 1985 and 1986. On November 3, 1987 Judge Carpeneti set the Amerada Hess case for trial, beginning October 2, 1989. It is expected to last at least six months.

On November 2, 1987 three producers, Standard Alaska, Exxon, and Chevron, filed suit in U.S. District Court in Anchorage in an attempt to block trial of the case in any Alaska court. The three producers have publicly declared their intent to abide by the schedule adopted by Judge Carpeneti in the state's case, even as they seek to have the trial itself held outside Alaska. These producers have estimated the potential liability could approach \$2 billion.

United States v. Alaska. This case involves the Beaufort Sea title dispute at which more than \$1.8 billion is in dispute. Should the state prevail, the potential to the state may be many times that amount because of its application to all off-shore areas in Alaska. The case is currently pending before a special master appointed by the United States Supreme Court.

The Honorable John Binkley
Senate Finance Committee

November 23, 1987
Page 2

We expect the special master's report to be issued within the next several months. That report must be approved by the Supreme Court after opportunity for briefing by both the state and federal governments.

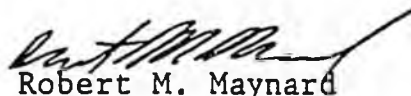
FERC Proceedings. In October 1987 the United States Court of Appeals upheld the validity of the TAPS settlement. We expect the matter to be appealed to the United States Supreme Court. In the interim we plan to undertake a major compliance audit of the settlement. In addition, the state is litigating tariffs filed for both the Kuparuk and Endicott pipelines.

Tax Proceedings. Trial will be completed in one major tax proceeding during FY 89 and another major proceeding placed on track for trial in FY 90. Other cases, not necessarily involving high stakes, but containing major legal issues, will also be at various stages of trial preparation. Because of confidentiality the amounts in issue in any given case may not be disclosed. However, consolidated assessments exceed \$2.1 billion.

Sincerely,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By:



Robert M. Maynard
Assistant Attorney General

RMM:jf

STATE OF ALASKA
THE LEGISLATURE

POUCH Y. STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 18, 1988

SUBJECT: Sections 4 and 5, HB 358
TO: Representative Fran Ulmer
FROM: George Utermohle *GU*
Legislative Counsel

This memorandum is in response to the request of Dennis Burns of your staff for a summary of sections 4 and 5, of HB 358 and a brief discussion of the ambiguities in the language of those sections.

Sections 4 and 5 of HB 358 appropriate windfall receipts received by the state during fiscal year 1989 from tax proceedings against oil and gas production or pipeline companies under AS 43.20 (corporate income tax), former AS 43.21 (oil and gas corporate income tax), and AS 43.55 (oil and gas properties production tax). These windfall receipts are appropriated equally between the principal of the permanent fund and the budget reserve fund.

Sections 4 and 5 of the bill appropriate "money not included in the estimated receipts set out in the budget for fiscal year 1989." Because the budget document does not describe in detail the sources of estimated receipts, it is very difficult to determine whether the state anticipates receiving money as the result of a particular tax proceeding. Without a detailed description of the money that the state anticipates to receive from tax proceeding of the kind subject to sections 4 and 5 of the bill, it is impossible to determine which of the current tax proceedings may result in windfall receipts to the state. When the state receives money as the result of a tax proceeding that may be subject to the appropriations made by sections 4 and 5 of the bill, the Department of Revenue will have to subjectively decide whether the state had anticipated that money when the budget was developed.

Representative Fran Ulmer
Page 2
January 18, 1988

The money appropriated by sections 4 and 5 is derived from "the settlement or other conclusion of pending tax proceedings." This phrase is taken from the Department of Law's report to the Senate Finance Committee. The department of Law uses this phrase to refer to both administrative and judicial proceedings and to include "partial" (preliminary) settlements as well as the ultimate conclusion of the proceeding. However, unless the phrase "settlement or other conclusion" is defined in HB 358, it is ambiguous as to whether it includes money derived from tax proceedings that are not the result of a final and conclusive settlement of the case. For instance, the Dinkum Sands money just received by the state was not the result of a settlement or conclusion of the Dinkum Sands case. That money was released from escrow and was due to the state under federal revenue sharing laws regardless of the outcome of the case. The ultimate issue in the Dinkum Sands case is the fate of the money that is still being held in escrow and that won't be determined until there is a decision as to who owns the land surrounding Dinkum Sands. If any of the pending tax proceedings should result in a partial payment to the state of outstanding taxes owed because that portion of the tax is not disputed by the parties, would that be considered a "settlement or other conclusion?" A partial settlement is a "settlement" but it is not an "other conclusion" to a tax proceeding. So there is an ambiguity as to what kinds of settlements are subject to appropriation by the bill.

Pending tax proceedings usually begin as administrative tax proceedings within the Department of Revenue. If the parties to the tax proceeding (the state and the taxpayer) cannot resolve their dispute in the administrative proceeding, the dispute is ultimately decided by the courts. Sections 4 and 5 relate to "pending tax proceedings" without regard to whether the proceeding is administrative or judicial. In my view "pending tax proceedings" means either an administrative proceeding or judicial proceeding, though it can be argued that "tax proceeding", as used in HB 358, means only an administrative proceeding.

If I can provide a further discussion of the issues inherent in sections 4 and 5 of HB 358, please contact me.

GU:gc
WKG1:030



Official Business

Alaska State Legislature

House



P.O. BOX V
State Capitol
Juneau, Alaska 99811

M E M O R A N D U M

TO: House State Affairs Committee Members

FROM: Representative Fran Ulmer, Chair
House State Affairs Committee

SUBJECT: HB 358: "An Act making special appropriations of windfall receipts to the principal of the permanent fund, the budget reserve fund, and to the public school fund; and providing for an effective date."

DATE: January 21, 1988

HB 358 makes a special appropriation of revenue received by the state from the North Slope royalty case and the Dinkum Sands Case to the principal of the Permanent Fund, to the Budget Reserve Fund and to the Public School Fund.

HB 358 makes a special appropriation of the money not included in the estimated receipts set out in the budget for FY 89 from pending tax proceedings to the principal of Permanent Fund and to the Budget Reserve Fund.

The provisions of HB 358 apply only to revenue received after the effective date of this bill. Therefore the above appropriations do not include the \$322 million recently received by the state as revenue sharing.

The proposed legislation would accomplish the following:

- 1) Dedicate funds to the principal of the Permanent Fund at a time when revenue decline reduces the likelihood of comparable deposits; and
- 2) Create a cushion against budget shortfalls.