

**CONF. OF
ALASKANS
RES.**

3/15/04

(FILE 2 OF 2)

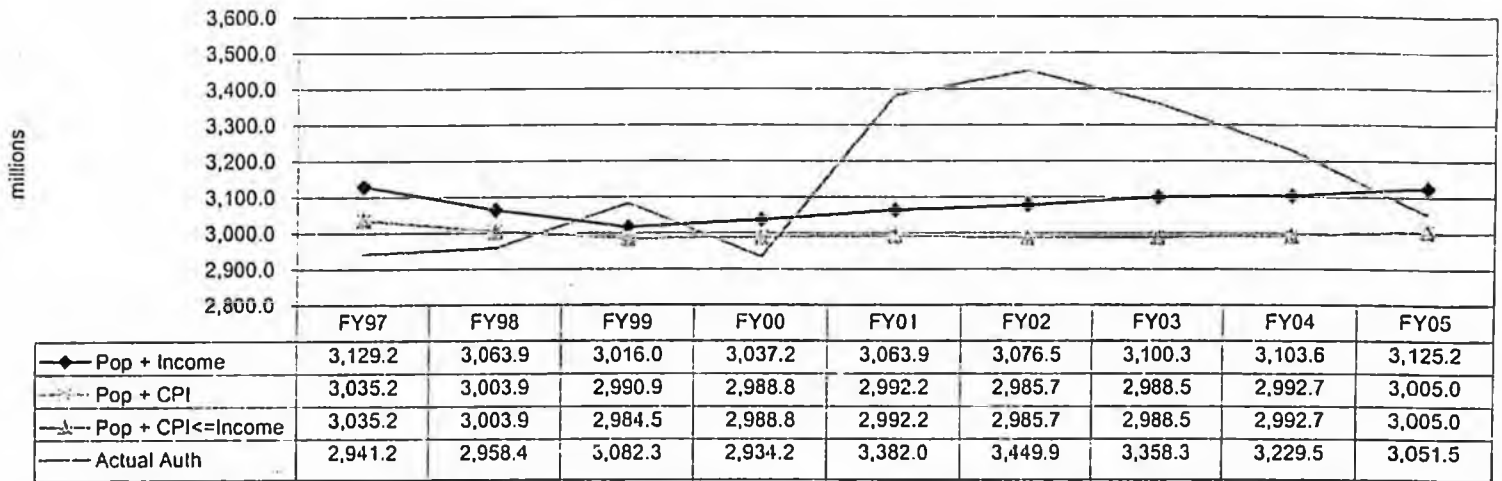
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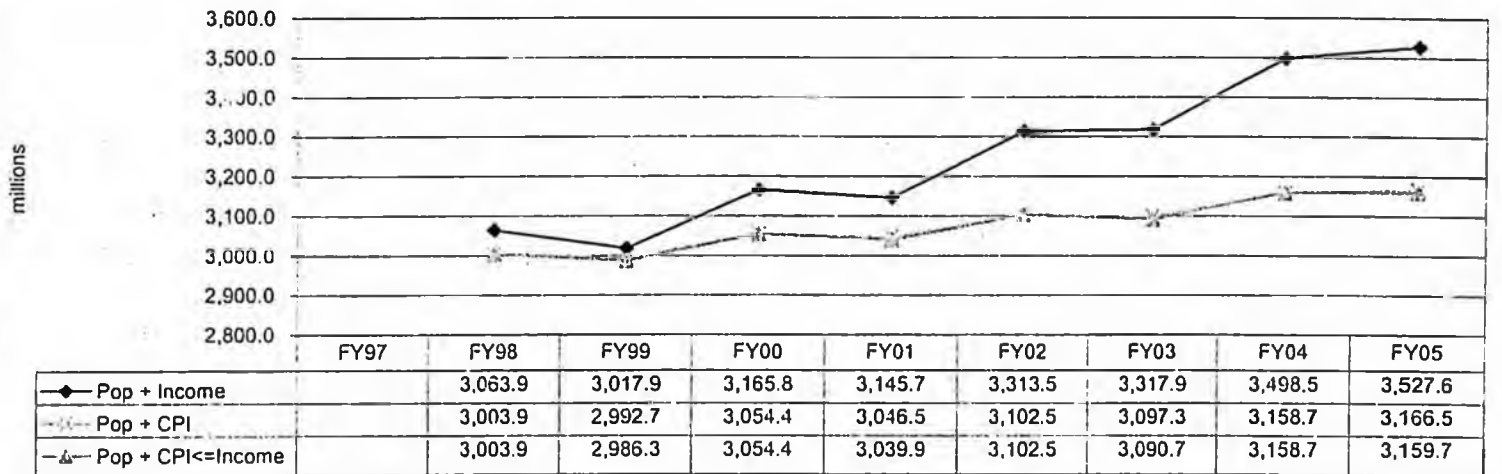
LEGISLATIVE
PROPOSALS
OFFERED BY
SENATORS

Provided by Senator
D. Lyson
3/18/09

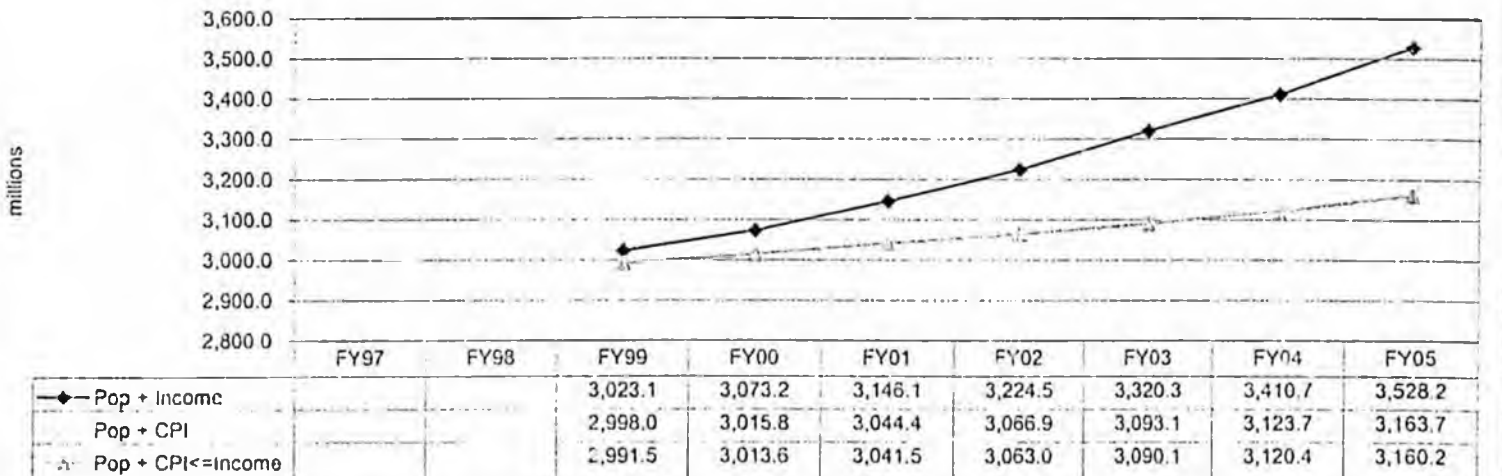
Draft - Spending Limit Proposals
Fixed Base year of FY96 & 3 yr floating avg for variable



Draft - Spending Limit Proposals
Base year of 2 years prior & 3 yr floating avg for variable



Draft - Spending Limit Proposals
Base year of 3 prior year avg & 3 yr floating avg for variable



1) Exemptions: Railroad; federal funds; permanent fund; permanent fund income for dividends; g.o. bonds, revenue bonds, COPs; debt service on revenue bonds; donations/gifts/grants; University tuition



ALASKA PERMANENT FUND FINANCIAL PROJECTIONS 2004 - 2014 as of December 31, 2003

Long-term projections will extend ten years, based on best available information (In millions)

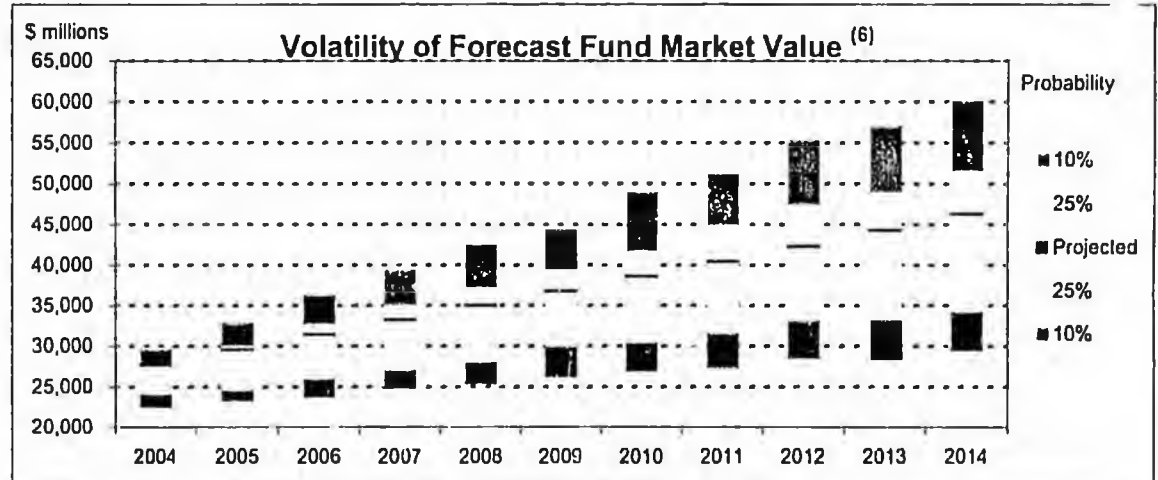
3/18 pm
POMV + Principal
proposal of
Sen. Theriault

Reserved Fund Balance							Unreserved Fund Balance							TOTAL FUND (5) FY End Balance			
FY	FY Begin Contrib. Balance	Appro- (2) priations	Dedicated State Revenues	Inflation Proofing	FY End Contributions Balance	Unrealized Gain (Loss)		FY End Reserved Balance	Acct. Net Income (1)	Statutory Net Income	Distributions of Statutory Net Income				Realized Earnings Acct		FY
						Net Change	FY End Balance				Dividends	Inflation Proofing	General Fund		Net Change	FY End Balance	
77-96	0	5,870	5,711	4,624	16,205	2,084	2,084	18,289	14,134	14,054	5,993	4,624	223		104	104	77-96
97	16,205	829	308	486	17,828	1,085	3,169	20,997	3,149	2,036	747	486	1	3	107	97	21,104
98	17,828	35	230	423	18,511	802	3,971	22,487	3,435	2,505	893	423	1	1,282	1,389	98	23,876
99	18,516	41	155	288	19,000	(430)	3,541	22,541	2,148	2,544	1,045	288	3	1,201	2,590	99	25,131
00	19,000	281	310	423	20,014	(12)	3,529	23,543	2,249	2,222	1,172	423	3	382	2,972	00	26,515
01	20,014	7	339	686	21,046	(2,146)	1,383	22,429	(924)	1,099	1,113	686	4	(588)	2,384	01	24,813
02	21,046	(23) (3)	258	603	21,884	(878)	505	22,389	(617)	257	926	602	4	(1,248)	1,136	02	23,525
03	21,884	354 (7)	398	352	22,988	601	1,106	24,094	963	355	691	352	0	(1,035)	100	03	24,194
04	22,988	12	300	0 (7)	23,301	2,345	3,451	26,752	3,668	1,311	561	0 (7)	0	750	850	04	27,602
05	23,301	15	252	613	24,180	450	3,902	28,082	2,067	1,601	496	613	0	493	1,343	05	29,424
06	24,180	18	213	635	25,045	391	4,292	29,337	2,203	1,794	558	635	0	602	1,944	06	31,282
07	25,045	20	205	657	25,927	356	4,648	30,575	2,343	1,967	738	657	0	572	2,516	07	33,091
08	25,927	22	202	680	26,831	329	4,977	31,808	2,479	2,128	924	680	0	524	3,040	08	34,848
09	26,831	24	199	703	27,757	308	5,285	33,042	2,611	2,279	1,026	703	0	549	3,589	09	36,632
10	27,757	26	189	727	28,700	290	5,576	34,275	2,745	2,428	1,113	727	0	588	4,177	10	38,453
11	28,700	33	182	752	29,667	(19)	5,557	35,223	2,881	2,867	1,225	752	0	890	5,067	11	40,291
12	29,667	29	173	777	30,646	347	5,904	36,550	3,019	2,643	1,296	777	0	570	5,637	12	42,187
13	30,646	32	164	802	31,644	329	6,233	37,877	3,161	2,800	1,367	802	0	631	6,268	13	44,146
14	31,644	42	180	828	32,694	(66)	6,167	38,861	3,309	3,334	1,478	828	0	1,028	7,296	14	46,157
Cumulative Totals																	
Projected for 2004-2014			2,259	7,174					30,486	25,152	10,782	7,174	0				

Assumptions: Total Return - Inflation = Total Real Return

FY 2004	15.16%	2.28%	12.88%
FY 2005-2014 (4)	7.60%	2.60%	5.00%

(1) Accounting net income is statutory net income plus the net change in unrealized gains (losses) and settlement earnings.
 (2) Earnings reserve appropriated to principal and settlement earnings transferred to principal per AS 37.13.145(d).
 (3) Final reconciliation on State of AK royalty case.
 (4) Based on 2003 Callan capital market assumptions and median expected returns. Actual results will vary from projections.
 (5) Total Fund equals reserved fund balance plus the realized earnings account.
 (6) The MOMA volatility graph shows the range of possible outcomes with the extremes of the bars indicating the less likely probability.
 (7) \$354 of FY04's projected inflation proofing of \$531 was prefunded in FY03. Currently there is no FY04 appropriation for the remaining \$177 balance.



23-LS1007N
Cook
3/16/04

CS FOR SENATE JOINT RESOLUTION NO. 18()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND
AUDIT COMMITTEE BY REQUEST

A RESOLUTION

1 Proposing amendments to the Constitution of the State of Alaska relating to the Alaska
2 permanent fund, establishing the earnings reserve account, and permitting distribution
3 from the account only for permanent fund dividends and public education.

4 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. Article IX, sec. 15, Constitution of the State of Alaska, is amended to read:

6 Section 15. Alaska Permanent Fund. (a) At least twenty-five per cent of all
7 mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing
8 payments and bonuses received by the State shall be placed in a permanent fund, the
9 principal of which shall be used only for those income-producing investments
10 specifically designated by law as eligible for permanent fund investments. The
11 earnings reserve account is established as a separate account in the fund. All
12 income from the permanent fund shall be deposited in the earnings reserve account
13 as soon as it is received. Appropriations may only be made from the earnings
14 reserve account as provided in (b) of this section [GENERAL FUND UNLESS
15 OTHERWISE PROVIDED BY LAW].

1 * Sec. 2. Article IX, sec. 15, Constitution of the State of Alaska, is amended by adding a
2 new subsection to read:

3 (b) Appropriations from the earnings reserve account for a fiscal year may not
4 exceed five percent of the average of the market values of the fund on June 30 for the
5 first five of the six fiscal years immediately preceding that fiscal year. Appropriations
6 from the earnings reserve account may be made only for the following purposes:

7 (1) a program of dividend payments for State residents established by
8 law; and

9 (2) public education.

10 * Sec. 3. Article XV, Constitution of the State of Alaska, is amended by adding a new
11 section to read:

12 **Section 30. Transition.** (a) On the effective date of the 2004 amendments
13 relating to the Alaska Permanent Fund (art. IX, sec. 15), the unencumbered,
14 unappropriated balance of the earnings reserve account established under
15 AS 37.13.145(a) is added to the earnings reserve account established in the Alaska
16 Permanent Fund.

17 (b) Section 15(b) of Article IX first applies to appropriations for fiscal year
18 2006. Appropriations from the permanent fund for fiscal year 2005 are subject to
19 Section 15 of Article IX as that section read on June 30, 2004.

20 * Sec. 4. The amendments proposed by this resolution shall be placed before the voters of
21 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the
22 State of Alaska, and the election laws of the state.

How the Committee Substitute (Version I) Answers the Questions and Concerns Expressed by Members of the Public

Before Alaska's voters will approve any charges to the Permanent Fund, they will have to have confidence in what they are voting for. The complexity of the POMV proposal brought forward by the Trustees presents too many hurdles to win such approval. If we in the Legislature want that approval, the amendment must be modified. The following statements generalize the concerns and questions I have heard over the past three years while working in various committees and forums to educate the public on POMV.

Under POMV, the principal value of the fund can be spent in a prolonged down market

This CS preserves the original constitutional language that only allows the principal of the permanent fund to be invested—not spent. It creates a constitutionally based earnings reserve account into which all income of the fund shall be deposited as soon as it is received. Appropriations can only be made from the earnings reserve account—not from principal.

Once the Legislature begins to spend any of the earnings, it will only be a matter of time before the entire fund is gone

Again, the principal value of the fund may not be spent. The CS retains POMV-like language limiting how much can be appropriated in a given fiscal year to prevent the Legislature from appropriating too much in the good times. As an example, today there is approximately \$5 billion in realized income and unrealized gains. The legislature would be fully within its powers to appropriate that full amount. This language will help prevent overspending, thereby protecting the value of the fund.

How will the earnings be spent?

Most Alaskans can probably point to one expenditure or another (if not many) made by the State of Alaska in any given fiscal year that they oppose. The thought of the State spending earnings of the permanent fund on something they are personally opposed to is reason enough to vote no on any ballot question put before them. The proposed language restricts the purposes for which the fund's earnings can be used to the dividend program and public education.

The dividend program is threatened by utilizing the earnings for anything other than the program itself

This CS provides more protection—constitutional protection—of the dividend program than the status quo. However, it preserves some flexibility for future Alaskans to determine how big a dividend they want to pay out from the fund.

Committee Substitute (Version I) and the Holiday Bonus

If the constitutional amendment is approved by 2/3 of both bodies in the Legislature, conforming statutory changes will need to be made. If the dividend calculation is also changed to match the new market value management approach, then dividends will be higher for the next few years.

The Fiscal Policy Caucus in years past proposed a 50/50 split. Sen. Elton has proposed 80/20 and Rep. Gara has suggested 70/30. Under each of these scenarios, the annual PFD check will be bigger than the status quo formula for the next few years. In order to demonstrate to the voters how much difference this would make for their families, I am suggesting that a second round of dividend checks go out if the voters approve the constitutional amendment.

It generally takes 30 days to certify the results of the general election. The PFD Division at the Department of Revenue will have just sent out the October distribution and there will be minimal administrative costs required to send out a second distribution. Once we have certified results, the division can begin work and by my calculations, get those checks out to Alaskans in time for the holidays.

Timeline:

In October, Alaska residents will receive their regular dividend check as calculated under the status quo formula. That check is expected to be in the \$875-\$900 range.

In November, voters will decide whether or not to approve the constitutional amendment.

If they vote yes, they will receive a second check 6-8 weeks after the election that makes up the difference between what they received in October and what they would have received if the new formula were in effect for 2004.

The 'ELF' in Alaska's Oil Taxes

- There are four main taxes paid by the oil industry:
- Royalty – 12.5%
- Property – 20 mills which equals 2%.
- Corporate income – 9.4%
- Production – 15% before ELF.

Presentation by Sen French
3/17/04

The 'ELF' in Alaska's Oil Taxes

- The 15% production, or severance, tax varies because of the ELF, or economic limit factor.
- At its simplest, the ELF is a number between zero and one. Multiplying the production tax by a field's ELF lowers that field's tax burden.

The 'ELF' in Alaska's Oil Taxes

- Kuparuk's ELF is about .2 now.
- .2 times 15% equals 3%.
- Thus, Kuparuk pays a 3% production tax.
- Prudhoe's ELF is .86.

The 'ELF' in Alaska's Oil Taxes

- The formula is actually quite complex.

AS 43.55.013. Economic Limit Factor.

(a) [Repealed, Sec. 18 ch 116 SLA 1981].

(b) The economic limit factor for oil production of a lease or property shall be computed according to the following formula:

$$(1 - [\text{PEL}/\text{TP}]) \exp^{-50,000/(\text{TP}/\text{Days})} \exp [(460 \times \text{WD})/\text{PEL}]$$

where:

PEL = the monthly production rate at the economic limit;

TP = the total production during the month for which the tax is to be paid;

WD = the total number of well days in the month for which the tax is to be paid;

Days = the number of days in the month for which the tax is to be paid; and

exp = exponent.

The 'ELF' in Alaska's Oil Taxes

- ELF was designed to encourage small field development.
- There are twenty fields now producing on the North Slope.
- Twelve pay no production tax at all.

The 'ELF' in Alaska's Oil Taxes

- The Tarn field made 951,221 bbls in January 2004.
- Tarn has a 0.08 ELF meaning it pays a 1.2% production tax now
- Tarn's ELF will go to zero in 2007.

The 'ELF' in Alaska's Oil Taxes

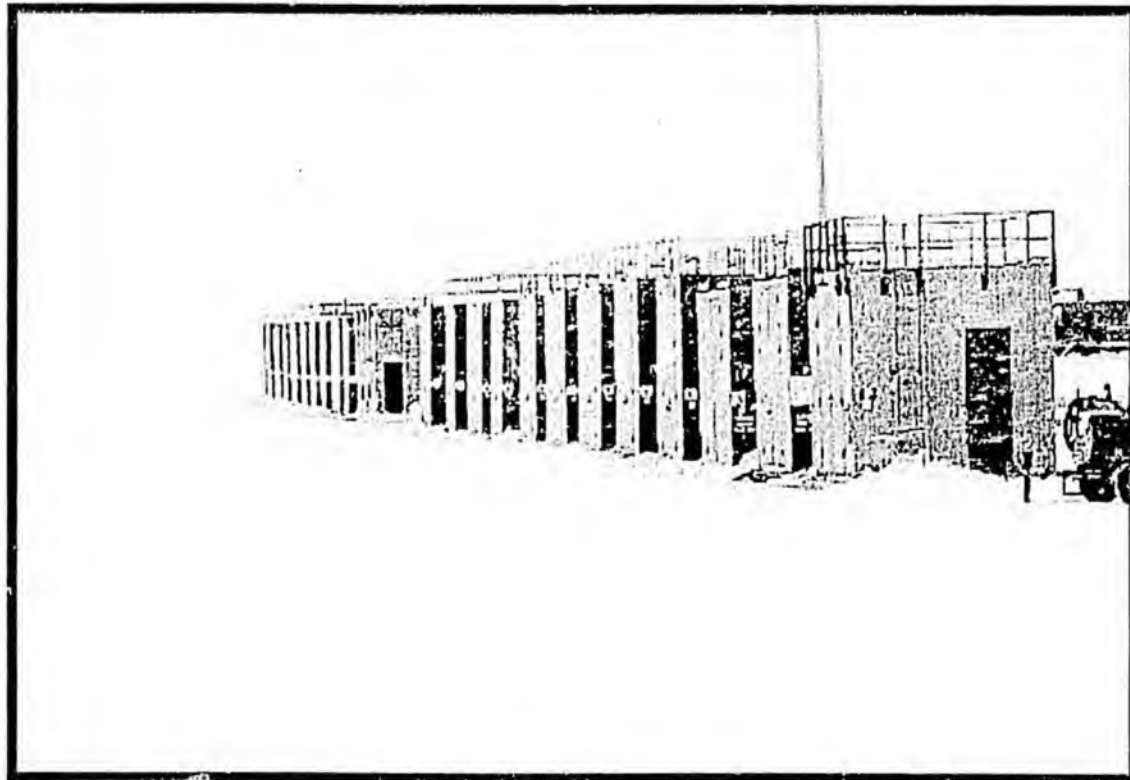
- Tarn is produced via Kuparuk's facilities.





The 'ELF' in Alaska's Oil Taxes

- Tarn required only two drill sites and three ten mile pipelines.



The 'ELF' in Alaska's Oil Taxes

- The Tabasco field, also produced through Kuparuk's facilities, did not require even a drill site. It was drilled in seven wells off an existing pad at Kuparuk.
- Tabasco makes 2500 bbls of oil per day and pays no production tax.
- This modest field will make the producers 1,000,000 bbls of oil this year.

The 'ELF' in Alaska's Oil Taxes

- As new fields come on to production, and pay no production tax, the overall production tax rate declines.
- The average production tax will fall from 13.5% in 1993 to 4% in 2013.

How the bill works

- **Two principal reforms:**
- **The first simply establishes a minimum 5% production tax. All fields must pay the minimum 5%.**
- **This provision alone would raise \$75 million at \$22 per bbl.**

How the bill works

- **The second major reform bases the production tax on the price of a barrel of oil.**
- **As the price rises, so does the tax. As the price of oil falls, so does the tax.**
- **The bill sets \$16 to \$20 oil as the norm.**

How the bill works

- **Above \$20, the production tax would be multiplied by the price per barrel divided by 20.**
- **Below \$16, the production tax would be multiplied by the price per barrel divided by 16.**

How the bill works

- **Example:** At \$30 oil, the new formula would divide 30 by 20 yielding 1.5.
- Thus, a field with a 10% production tax would pay an adjusted 15% production tax.
- The production tax cannot exceed 25% under the bill.

How the bill works

- **Example:** At lower oil prices the production tax would be reduced. If oil goes to \$12 per barrel, the formula would divide 12 by 16 to yield .75. Thus the production tax on an oil field would be reduced by 25%.
- A 10% production tax would be reduced to 7.5%.

How the bill works

- If oil prices fall below \$10 per barrel, the bill would waive half the production tax and would defer the other half until prices rise above \$16 per barrel.**
- There is also an inflation adjustment, that would gradually raise the \$16 to \$20 'norm'. The idea is to acknowledge that costs to industry rise over time.**

How the bill works

- **Finally, the bill exempts ‘heavy oil’ from any of its measures. Heavy oil, like that contained in the West Sak reservoir, requires more expensive drilling and production measures.**

Production Tax Revenue

- In 2003, the State took in \$599 million in production taxes.
- The average price that year was \$28 per barrel.
- The average ELF was .50, meaning the average production tax rate was 7.5%.

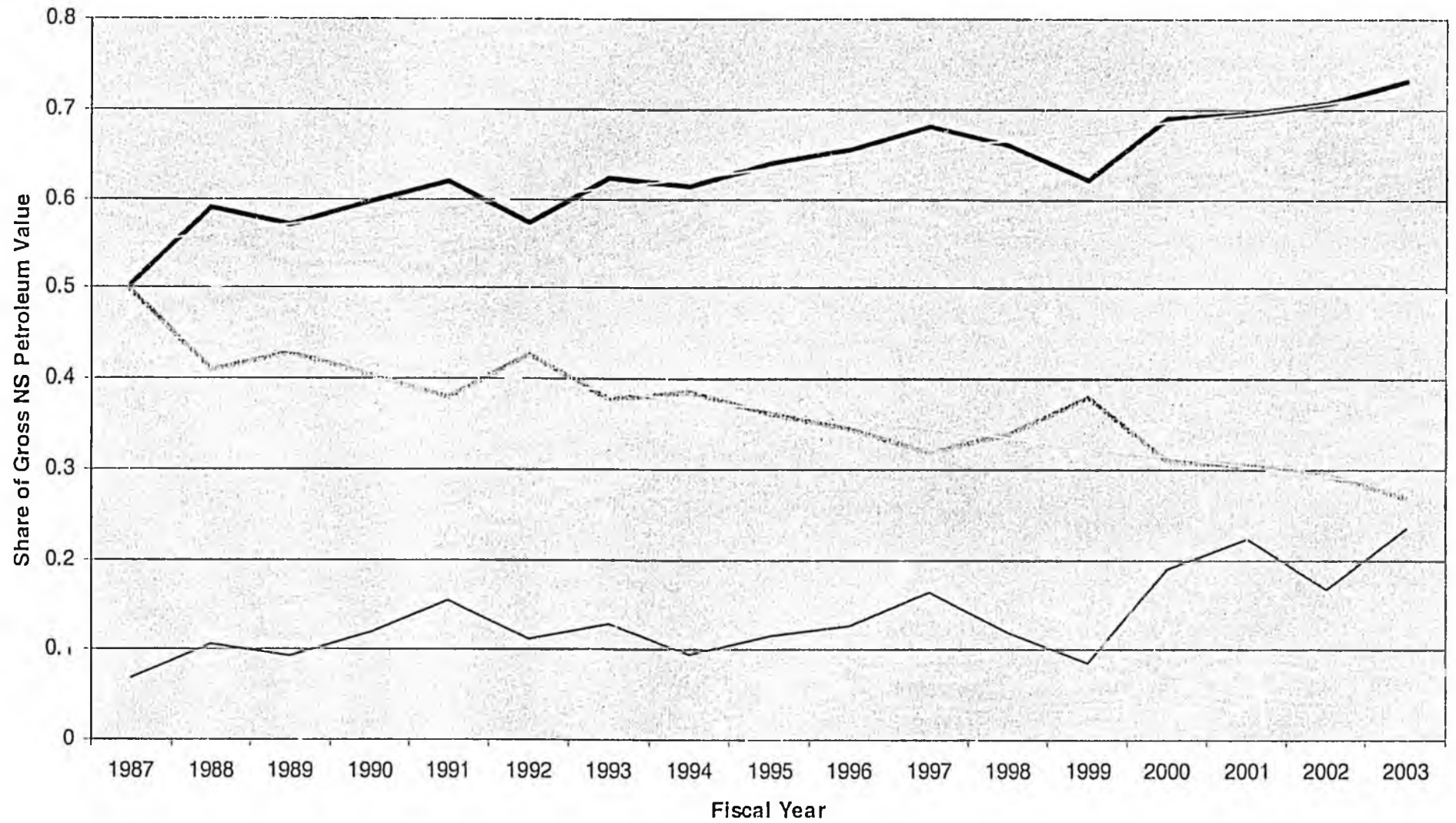
Production Tax Revenue

- **Looking forward, the Department of Revenue forecasts an average price of \$22 per barrel.**
- **By 2013, the average ELF will fall to .27, meaning the average production tax will fall to 4.05%.**
- **2003: \$599 million.**
- **2013: \$180 million.**

Production Tax Revenue

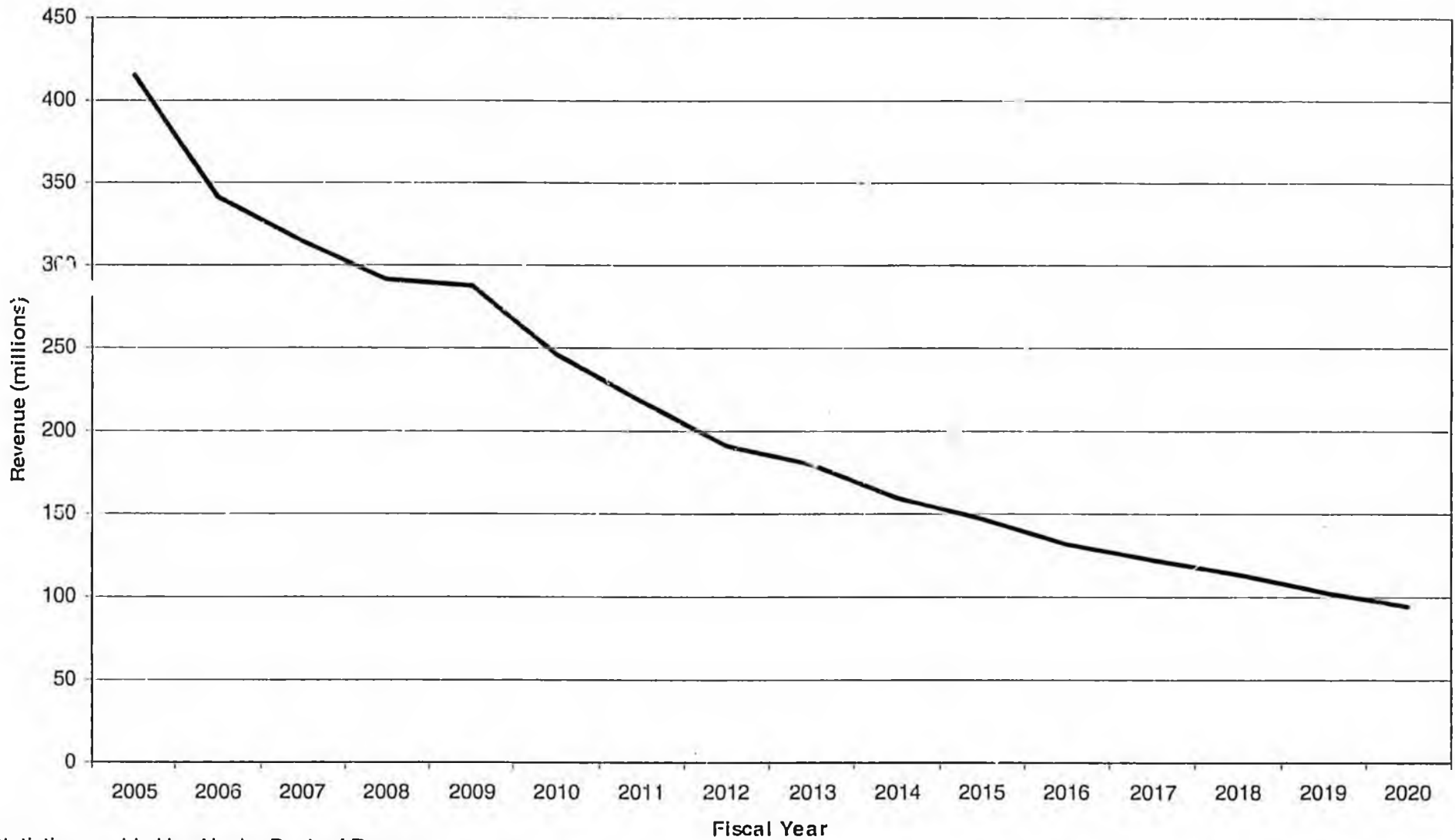
- Under this bill, the State would gain:**
- an additional \$110 million at \$22/bbl.**
- an additional \$400 million at \$30/bbl.**
- an additional \$500 million at \$32/bbl.**

Industry and Alaska's Benefit from NS Petroleum Against Oil Prices (1987-2003)



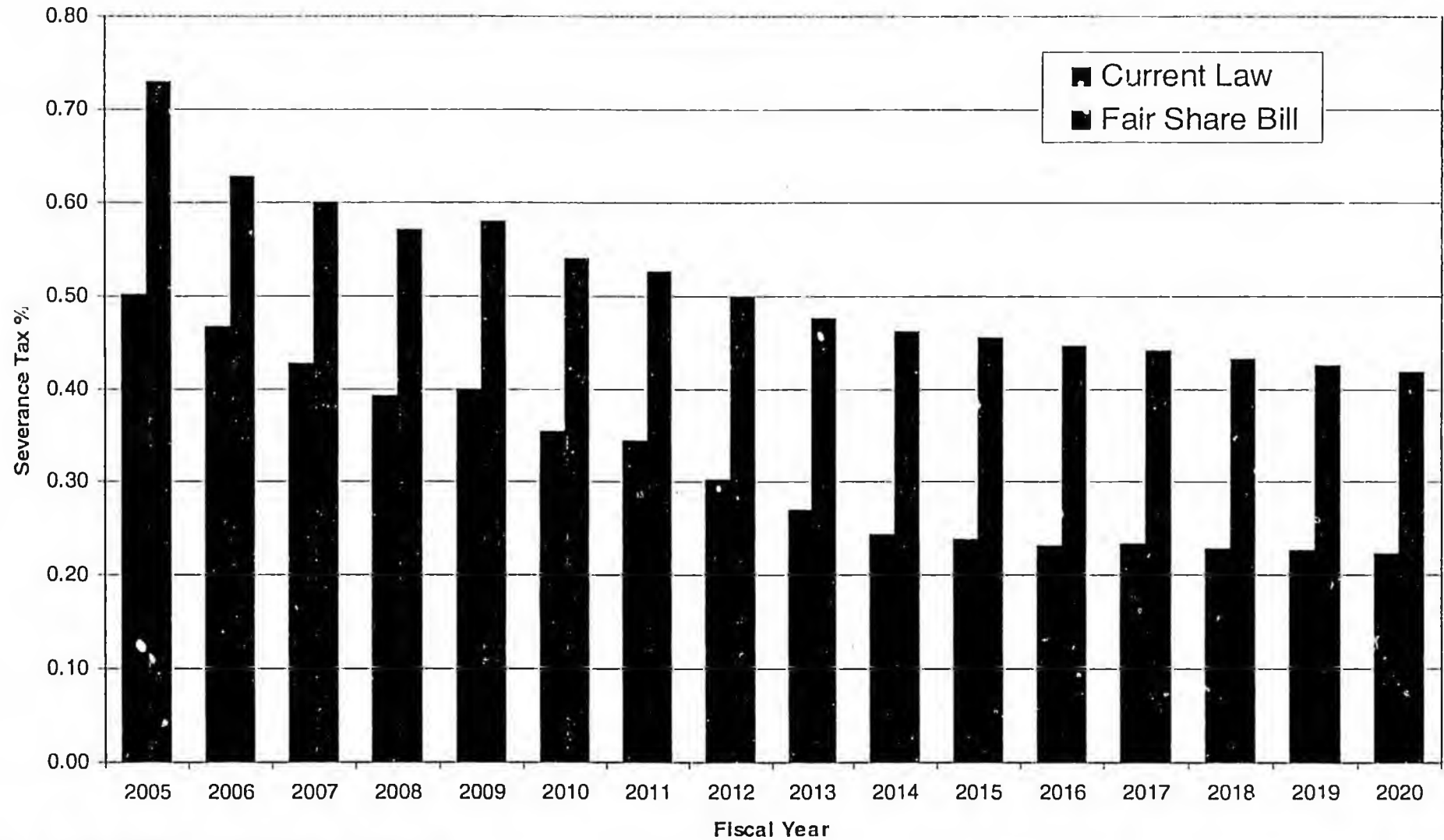
State Industry NS Oil Wellhead Value

Forecasted Decline in Severance Tax Revenue: Current Law



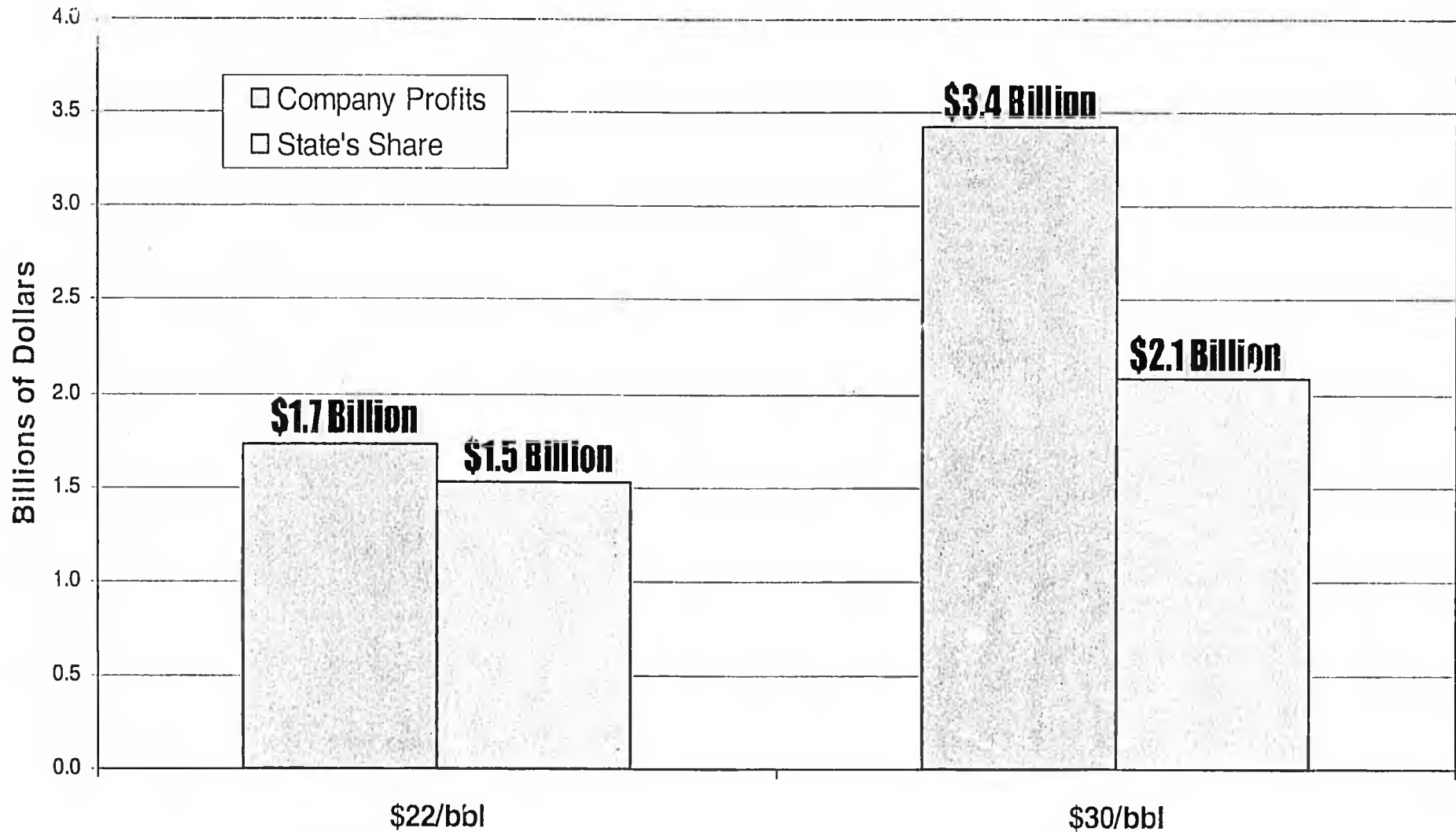
Statistics provided by Alaska Dept. of Revenue

Average Severance Tax Rate at Forecasted Oil Prices: Current Law and Fair Share Bill



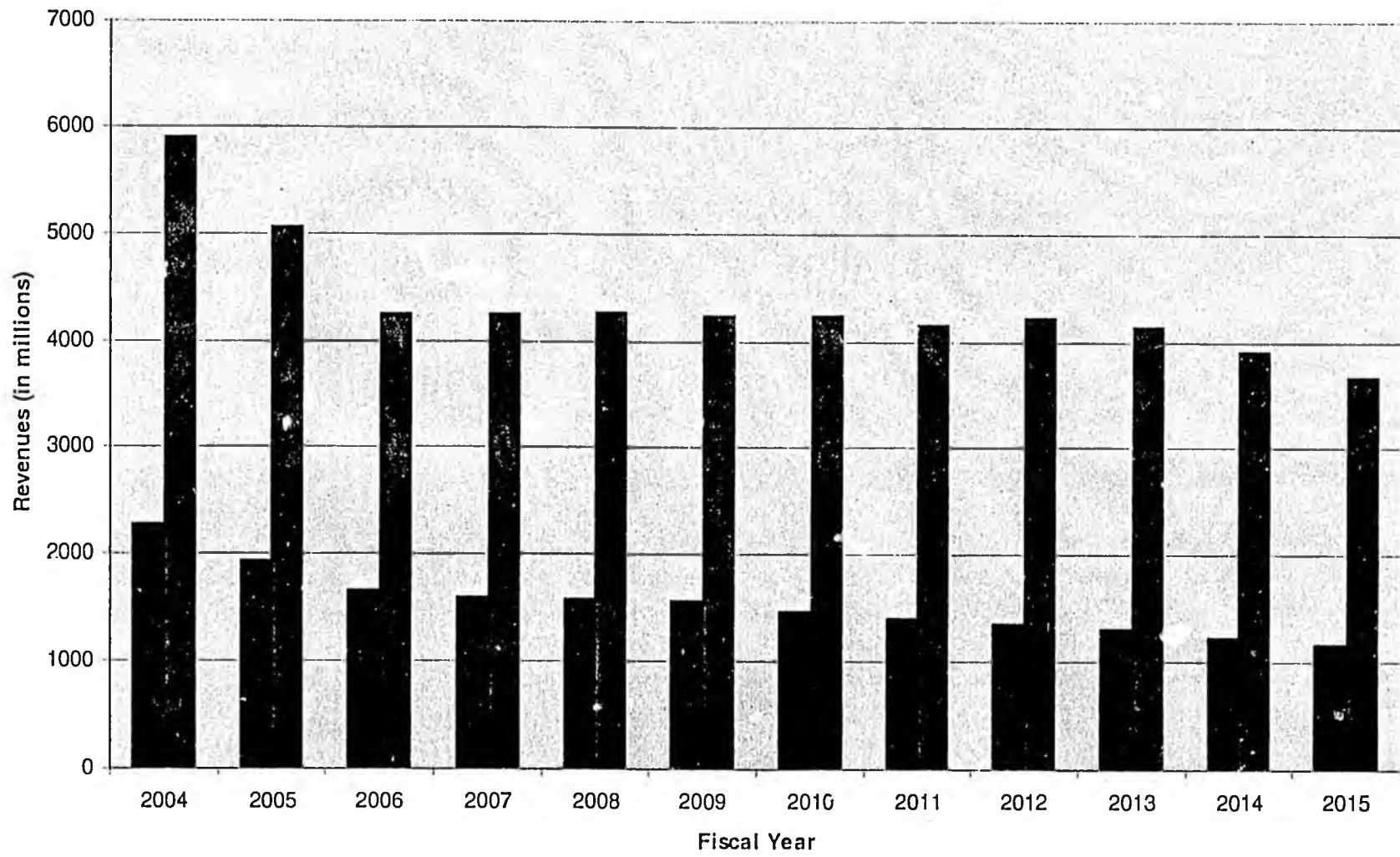
Statistics provided by Alaska Dept. of Revenue

Comparison Between Oil Company Profits and State Revenue: Current Law



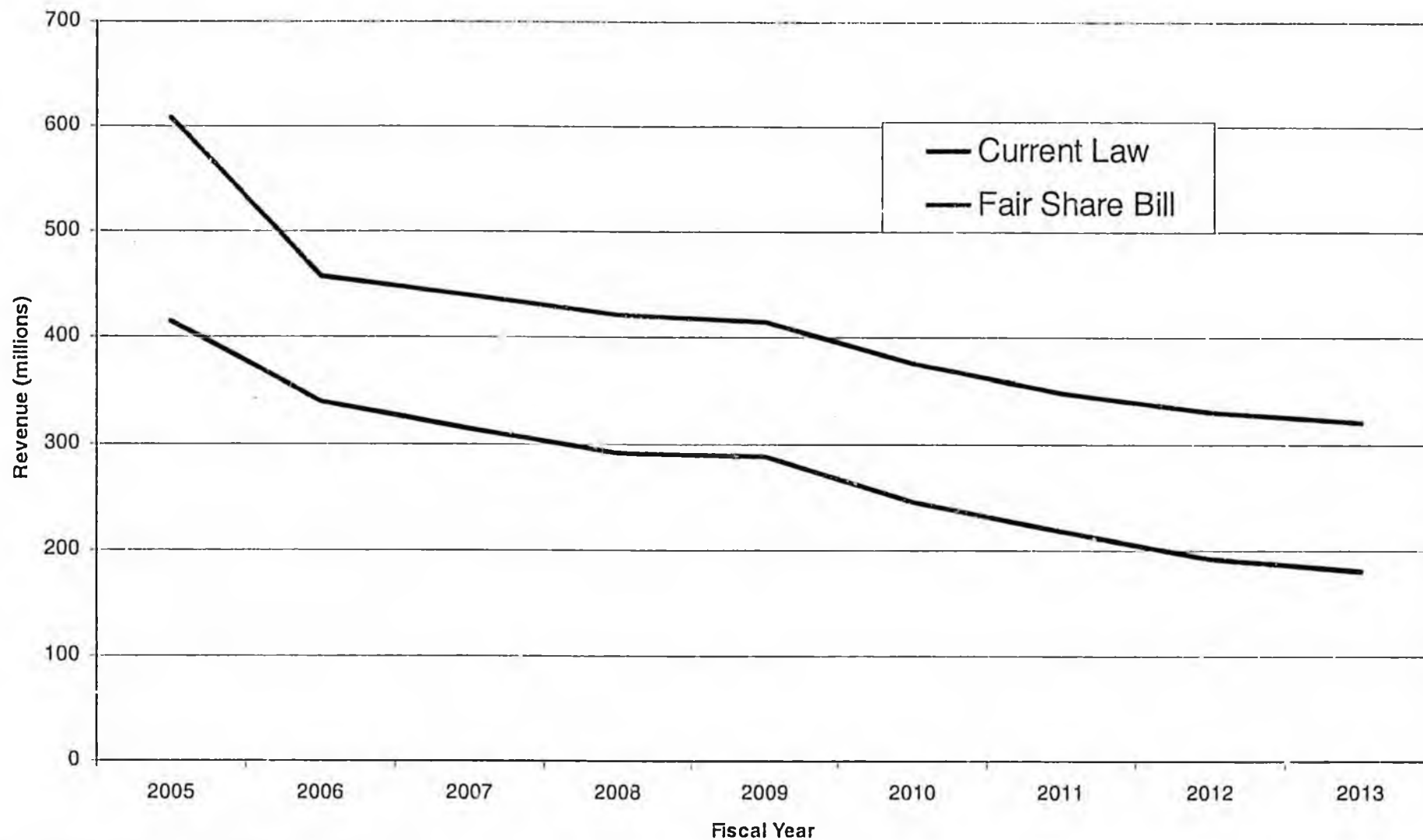
Statistics provided by Alaska Dept. of Revenue

Projected Distribution of ANS Production Value (2004-2015)



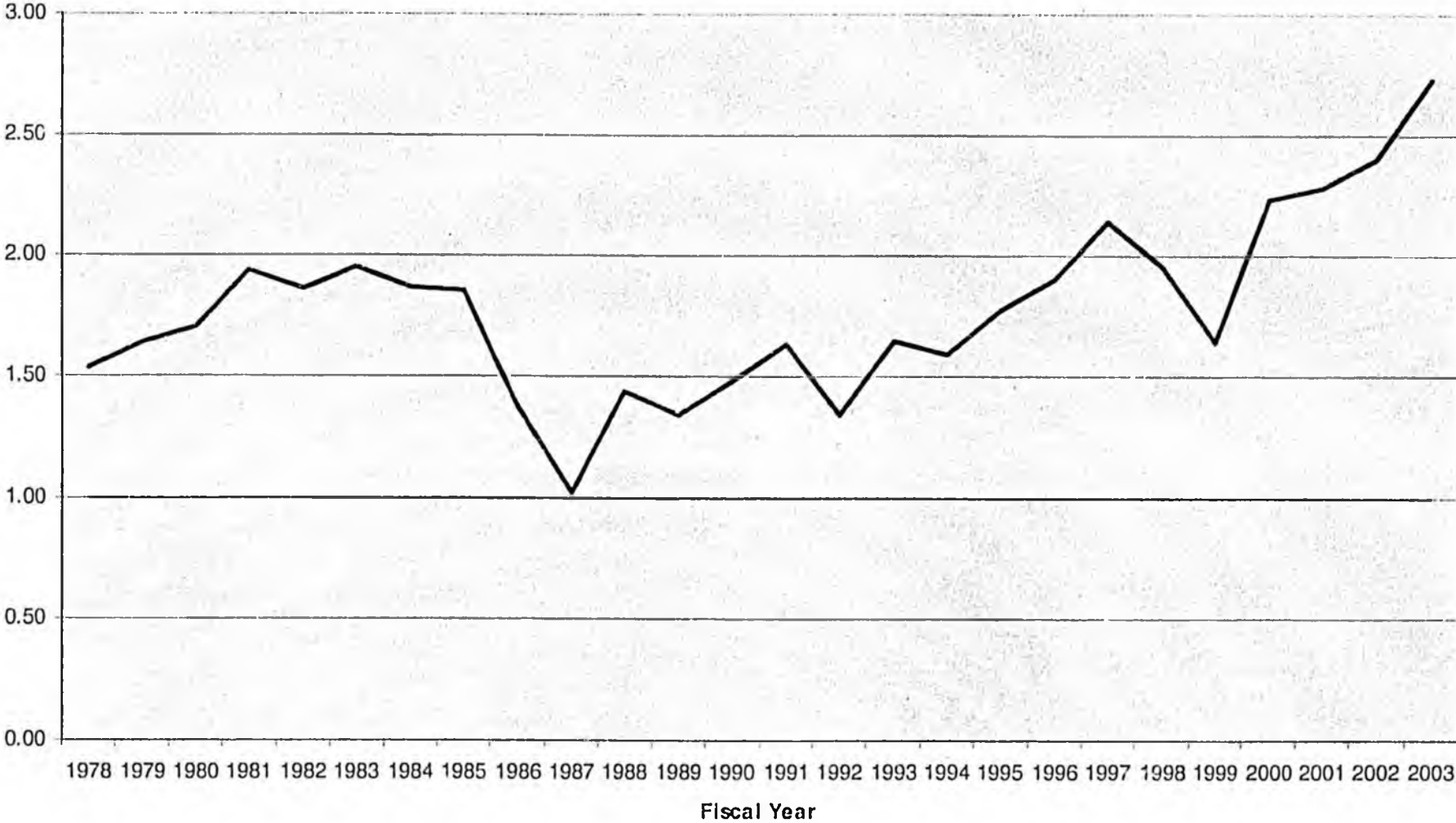
■ Alaska's Share of ANS Revenue ■ Oil Industry Take of ANS Revenues

Projected Severance Tax Revenue Under Current Law and Fair Share Bill at Forecasted Prices



Statistics provided by Alaska Dept. of Revenue

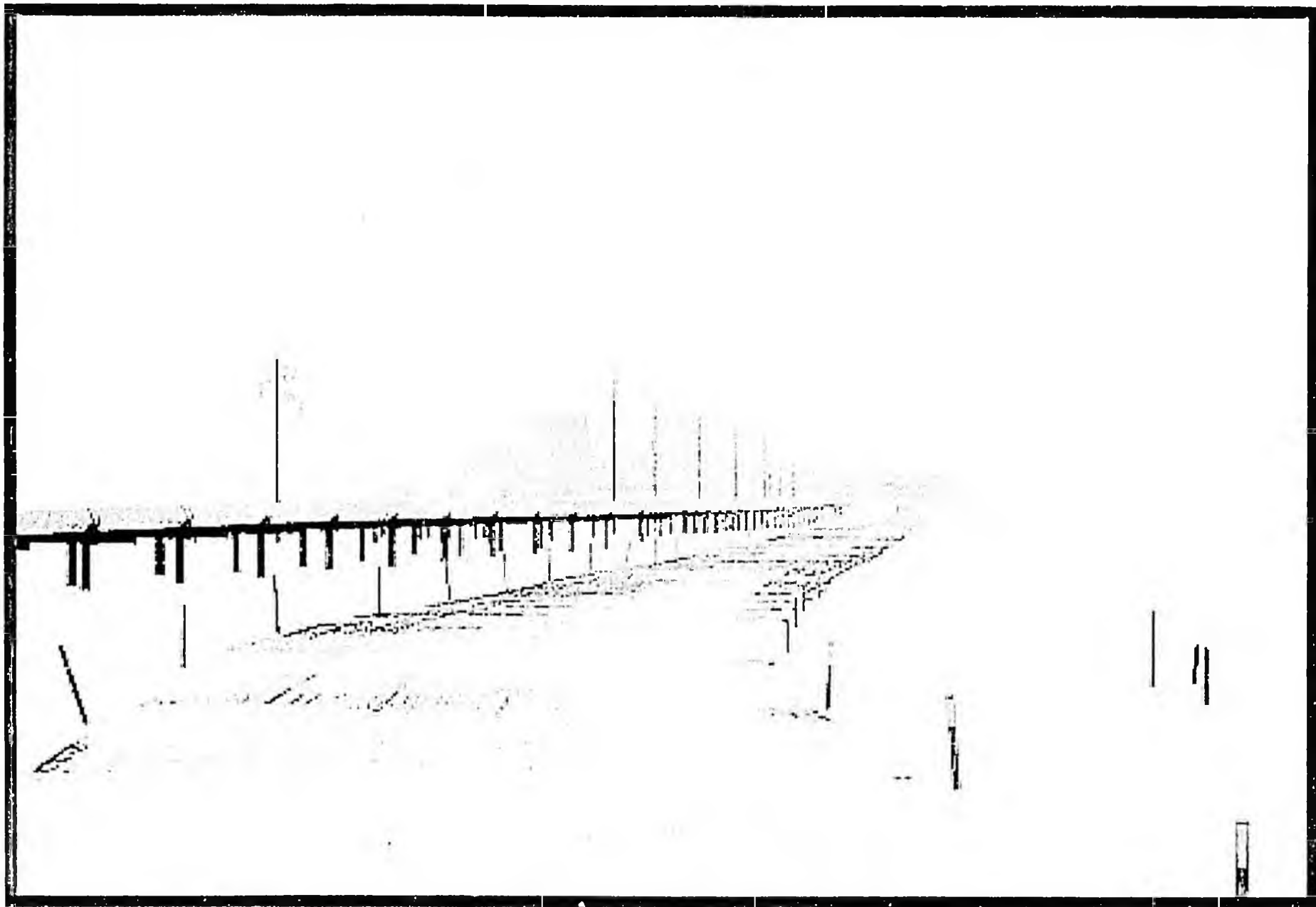
Ratio of Industry Take to State Revenues from ANS Production



Oil Industry State

Conclusion

- **It is better to address this issue now, when there is no immediate crisis.**
- **It is better to take an incremental approach, rather than a wholesale “shelve the ELF” approach.**
- **It is better to give the oil industry certainty during the planning and design phases of the gas pipeline.**



Re: Presentation by Sen. French



North America's Source for Oil and Gas News
December 2001

Vol. 6, No. 23

Week of December 30, 2001

Department of Revenue suggests oil production tax might need to be changed

ELF designed to encourage small field development and ensure large fields aren't shut down early; Revenue recommends allowance for deduction of exploration and production costs to encourage re-investment in state

Kristen Nelson

PNA Editor-in-Chief

The Alaska Department of Revenue is forecasting increased North Slope production — with new fields and satellite development bringing daily averages back over the 1 million barrel mark through fiscal year 2010.

But, Revenue said in its Fall 2001 Revenue Sources Book, issued in early December, Alaska's oil production is only about one-half of what it was when the massive Prudhoe Bay field peaked in 1988 and the new oil is taxed at a lower rate than oil than Prudhoe Bay oil, and will not bring the same tax benefit to the state.

The average rate of the production tax on Alaska North Slope crude oil has been falling as a result of the tax adjustment known as the economic limit factor — ELF.

ELF reduces the production tax rate on a reservoir based on the average rate of

production and the average productivity of the wells. Production rates and well productivity decline as a field is produced, so the average production tax rate falls. ELF also reduces the tax rate on smaller oil fields: most fields producing less than 20,000 barrels per day will pay little or no production tax, Revenue said.

The result is dramatic.

The base production tax rate is 15 percent. In fiscal year 1994, Revenue said, the average oil production tax rate for North Slope fields was 13.5 percent; the rate is projected to be 8.75 percent for fiscal 2002.

ELF a major part of state's oil and gas taxes

ELF is a major part of the state's oil and gas tax structure. Other taxes include: property taxes; royalty on oil and gas; bonus bids for leases; and corporate income tax.

Estimated unrestricted oil revenues for fiscal 2002 (which ends June 30) include: oil and gas property tax of \$43.2 million; oil and gas corporate income tax of \$150 million; production tax of \$450 million; and royalties including bonuses of \$506.1 million.

Estimated restricted oil revenues for fiscal 2002 include: royalties to permanent fund and school fund of \$226.7 million; settlements to constitutional budget reserve fund of \$100 million; and National Petroleum Reserve-Alaska royalties, rents and bonuses of \$1.3 million.

Of an estimated \$1.48 billion, the production tax is 30 percent.

Is ELF working as intended?

Revenue said that as Alaskans look at the state's fiscal situation, "it's also worthwhile to look at existing revenue sources and ask if they are working as intended. "

One of the purposes of ELF was to ensure that the production tax does not discourage development of smaller oil and gas fields. Revenue said the ELF formula is complicated, but the result is that the smaller the field or less productive the wells, the lower the tax rate. The current ELF formula took effect in 1989.

Another idea behind the ELF was that the actual tax rate should decline over time so that the production tax does not cause fields to prematurely shut down as they become less economic due to falling production, Revenue said.

What is ELF?

ELF is a multiplier between zero and one that reduces the actual tax rate for a

field, "based on average well productivity and the field's total daily production."

The oil production tax rate is 15 percent, with a 12.25 percent rate for the first five years of a field's production. An ELF of 0.5 would yield an effective tax rate of 7.5 percent. There is a minimum tax of 80 cents per taxable barrel. To calculate the effective tax rate, multiply the statutory tax rate, even if it is the minimum 80 cents, times the ELF.

In the ELF formula, Revenue said, "the two factors of well and field productivity are related exponentially" so "the drop in the ELF will be much steeper than if either of the two factors were applied alone."

Older, larger fields have rapidly declining production and there have been no discoveries of large fields to offset those declines, the department said. Most new standalone fields have production of 50,000 to 100,000 bpd.

How could ELF be changed?

The current ELF formula, Revenue said, was established in 1989 and "was predicated on conditions that were in place then. Those conditions have changed. Would it be appropriate to change the ELF as a consequence? While frequent changes in resources taxes creates instability — particularly where the economics are marginal — tax changes made in response to new conditions or structural deficiencies may be in the public interest."

Revenue said production fell 34 percent from 1990 to 2000. Over the same period, at a hypothetical oil price of \$15 a barrel, ELF dropped tax revenues by 53 percent.

"And while we forecast North Slope production remaining relatively flat between 2002 and 2010, because of ELF the average tax rate will fall 52 percent," Revenue said.

It is reasonable, the department said, for ELF to push the tax rate lower as production and declines because fixed operating costs will increase on a per barrel basis and gas and water handling costs may rise. "In addition, it is reasonable for the ELF to decline to zero by the end of a field's life."

But, Revenue asks, does the existing ELF reduce tax rates too quickly?

At Kuparuk the 2002 ELF was 0.6 and production was 212,000 barrels per day. ELF will be zero at Kuparuk in 2010 — but production is expected to be above 100,000 bpd and another 10 years of production is projected for the field.

"Is the ELF going to zero sooner than it needs to ensure maximum production?"

Disparity between large and small fields, satellites

Revenue also said that ELF may make too much of the operation cost disparity between large and small fields.

Under the existing ELF, a 50,000 bpd field with average well production of 450 bpd would have an ELF of 0.003. A 200,000 bpd field with the same average well production would have an ELF of 0.493. The smaller field would pay production tax at a rate of 0.045 percent while the larger field would pay at a rate of 7.395 percent.

"It is doubtful," Revenue said, "that the per barrel operating costs of the two fields would be so different as to justify the larger field paying a tax rate 164 times higher than the other field.

"It is worth asking: Is the ELF formula doing its job the way it should, or does it need changing?" Revenue said.

The effect of ELF on taxes from satellite fields is also an issue, as satellites have been developed in the last 10 years — since the existing ELF formula was set in 1989.

Satellites have lower production, with maximum levels in the 5,000 bpd to 50,000 bpd range, but Revenue said the ELF rates for these fields are "very low, and zero in many cases.

"However, given the degree to which these fields share costs with large, profitable fields, and the degree to which many of these costs have already been recovered, the economics of such fields are not the same as those of similarly sized fields that stand alone."

ELF components could be separated

Revenue said a possible modification to the existing ELF formula "would be to have separate components in the ELF formula for total field production and well productivity." Both are key indicators of field profitability, the department said, but "they are largely independent. Thus, rather than treat them exponentially, where their effects over exaggerate economic tendencies when mixed, the ELF formula could be modified so that these distinct features could be summed.

"For example, the ELF could consist of a total field productivity component and a separate well productivity component. Each of these components could be weighted 50 percent in the final ELF factor for each field."

Revenue said this "would result in less drastic swings in tax rates as field or well productivity changes.

"In general," the department said, "where rates are now high they would be lower, and where they are now low they would be higher."

And as a side benefit to having an ELF which would decline less drastically over time, Revenue said, the proposed change "would also make the ELF easier to understand."

Price coul

In addition to the exponential problem in the current ELF formula, Revenue said there are two other major problems with the production tax.

The production tax rate is fixed, which means "the government's share of profits is high when profits are low, and low when profits are high." This regressive feature of the production tax "creates an unbalanced situation," Revenue said.

"At low prices or high costs, the burden of the tax creates additional investment risk. At high prices the state's share of the profits is much less than in internationally comparable conditions and the state leaves money on the table."

If oil price were incorporated into the ELF formula, the production tax system would be progressive: the tax rate would vary with oil price and the government's share of profits would be lower when profits were low and higher when profits were high.

"Having the tax rate vary with price is another way to better balance the tax system under a wide range of economic conditions, while maintaining international competitiveness for attracting investment," Revenue said.

Investment could be encouraged

The other major problem with Alaska's production tax, Revenue said, is that it does not encourage re-investment in the state. The tax system is based on gross revenue at the wellhead.

"Unlike other jurisdictions," Revenue said, "the regressive system in Alaska does not allow deduction of exploration and development costs. In those other jurisdictions, taxes are reduced by investing there, and companies that invest pay less taxes than those that do not."

Because Alaska does not allow deduction of exploration and development costs from taxes, its tax system "may induce companies to take their Alaska profits and invest them elsewhere," Revenue said.

"A tax credit for exploration and development would enhance interest in investing here. The credit could be capped so as not to drop the actual production tax rate too much, but enough to be attractive to exploration and development."

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R I B E

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SENATE BILL NO. 366

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE BY REQUEST

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the levy and collection of sales and use taxes, to the levy and
2 collection of municipal sales and use taxes, and to municipal sales and use taxes on
3 alcoholic beverages; and providing for an effective date."

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

5 * Section 1. AS 04.21.010(c) is amended to read:

6 (c) A municipality may not impose taxes on alcoholic beverages except a

7 (1) property tax on alcoholic beverage inventories;

8 (2) sales and use tax levied under AS 29.45.650 or 29.45.700 [TAX
9 ON ALCOHOLIC BEVERAGE SALES IF SALES TAXES ARE IMPOSED ON
10 OTHER SALES WITHIN THE MUNICIPALITY];

11 (3) sales tax on alcoholic beverage sales that was in effect before
12 July 1, 1985 [; AND

13 (4) SALES AND USE TAX ON ALCOHOLIC BEVERAGES IF THE
14 SALE OF ALCOHOLIC BEVERAGES WITHIN THE MUNICIPALITY HAS

3/17/04

distributed
by Sen. B. Stevens

1 BEEN PROHIBITED UNDER AS 04.11.491(a)(1), (4), OR (5)].

2 * Sec. 2. AS 29.05.210(b) is amended to read:

3 (b) The department shall provide assistance to each borough and unified
4 municipality incorporated after December 31, 1985, in

5 (1) establishing the initial sales and use tax assessment [AND
6 COLLECTION DEPARTMENT] if the borough or unified municipality has adopted a
7 sales or use tax;

8 (2) determining the initial property tax assessment roll if the borough
9 or unified municipality has adopted a property tax, including contracting for appraisals
10 of property needed to complete the initial assessment.

11 * Sec. 3. AS 29.10.200(51) is amended to read:

12 (51) AS 29.45.650 [AS 29.45.650(c), (d), (e), (f), (i), AND (j)] (sales
13 and use tax);

14 * Sec. 4. AS 29.10.200(52) is amended to read:

15 (52) AS 29.45.700 [AS 29.45.700(d) AND (e)] (sales and use tax);

16 * Sec. 5. AS 29.35.110(a) is amended to read:

17 (a) Borough revenues received through taxes levied [COLLECTED] on an
18 areawide basis by the borough may be expended on general administrative costs and
19 on areawide functions only. Borough revenues received through taxes levied
20 [COLLECTED] on a nonareawide basis may be expended on general administrative
21 costs and functions that render service only to the area outside all cities in the
22 borough.

23 * Sec. 6. AS 29.35.170 is amended to read:

24 Sec. 29.35.170. Assessment and collection of taxes. (a) A borough shall
25 assess [AND COLLECT] property [, SALES, AND USE] taxes and collect taxes,
26 other than sales and use taxes, that are levied in its boundaries, subject to AS 29.45.

27 (b) Taxes, other than sales and use taxes, levied by a city shall be collected
28 by a borough and returned in full to the levying city. This subsection applies to home
29 rule and general law municipalities.

30 * Sec. 7. AS 29.45.650 is repealed and reenacted to read:

31 Sec. 29.45.650. Sales and use tax. (a) Except as provided in AS 29.45.750, a

1 borough may levy a sales and use tax. If a borough levies a sales and use tax, it must
 2 conform exactly to the statewide sales and use tax levied and collected under
 3 AS 43.44, except that the municipal sales and use tax may be levied at any rate.

4 (b) The Department of Revenue shall collect a sales and use tax levied under
 5 this section and remit the proceeds to the municipality. The Department of Revenue
 6 may use its administrative authority under AS 43.05 and its enforcement and
 7 collection authority under AS 43.10 to collect a sales and use tax levied under this
 8 section.

9 * Sec. 8. AS 29.45.660(a) is amended to read:

10 (a) If the borough levies [AND COLLECTS] only a sales tax and use tax, the
 11 assembly shall provide a notice substantially in the form set out in AS 29.45.020. In
 12 providing notice under this subsection, the assembly shall substitute for the millage
 13 equivalency its estimate of the equivalent sales tax rate for each of the categories of
 14 financial assistance set out in AS 29.45.020. Notice shall be provided

15 (1) by publishing in a newspaper of general circulation in the borough
 16 a copy of the notice once each week for a period of three successive weeks, with
 17 publication to occur not later than 45 days after the final adoption of the borough's
 18 budget; or

19 (2) if there is no newspaper of general circulation in the borough, by
 20 posting a copy of the notice for at least 20 days in at least two public places in the
 21 borough, with posting to occur not later than 45 days after the final adoption of the
 22 borough's budget.

23 * Sec. 9. AS 29.45.670 is amended to read:

24 **Sec. 29.45.670. Referendum, adoption, and modification.** A new sales and
 25 use tax or an increase in the rate of levy of a sales tax approved by ordinance does not
 26 take effect until ratified by a majority of the voters at an election. A municipality
 27 may not require that a new sales and use tax or an increase in the rate of levy of a
 28 sales tax approved by ordinance be ratified by more than 50 percent plus one of
 29 the voters voting on the issue.

30 * Sec. 10. AS 29.45.700 is repealed and reenacted to read:

31 **Sec. 29.45.700. Power of levy.** A city may levy a sales and use tax in the

1 manner provided for boroughs under AS 29.45.650.

2 * Sec. 11. AS 29.45.750(b) is amended to read:

3 (b) A municipality that levies [AND COLLECTS] a sales tax on mobile
4 telecommunications services shall do so in accordance with the provisions of 4 U.S.C.
5 116 - 126 (Mobile Telecommunications Sourcing Act).

6 * Sec. 12. AS 29.45.810(a) is amended to read:

7 (a) A party to a contract approved by the legislature as a result of submission
8 of a proposed contract developed under AS 43.82 or as a result of acts by the
9 legislature in implementing the purposes of AS 43.82, and the property, gas, products,
10 and activities associated with the approved qualified project that is subject to the
11 contract, are exempt, as specified in the contract, from all taxes identified in the
12 contract that would be levied [AND COLLECTED] by a municipality under state law
13 as a consequence of the participation by the party in the approved qualified project.

14 * Sec. 13. AS 43 is amended by adding a new chapter to read:

15 **Chapter 44. Sales and Use Tax.**

16 **Sec. 43.44.010. Levy of sales and use tax; tax rate.** (a) A sales tax is levied
17 on the sale, lease, or rental of tangible personal property and on the sale of services.

18 (b) A use tax is levied on the privilege of using in the state tangible personal
19 property or services. The use tax is not levied if the sales tax levied in (a) of this
20 section has been paid.

21 (c) The rate of the sales tax is four percent of the sales price. The rate of the
22 use tax is four percent of the purchase price.

23 **Sec. 43.44.020. Exemptions.** The tax levied under AS 43.44.010 does not
24 apply to

25 (1) tangible personal property or services that are

26 (A) explicitly exempted from taxation under another provision
27 of state law; or

28 (B) exempt from taxation under federal law, including sales to
29 the federal government, and purchases made with

30 (i) food coupons, food stamps, or other types of
31 certificates issued under 7 U.S.C. 2011 - 2036 (Food Stamp Program);

1 and

2 (ii) food instruments, food vouchers, or other types of
3 certificates issued under 42 U.S.C. 1786 (Special Supplemental
4 Nutrition Program for Women, Infants, and Children);

5 (2) medical care, including

6 (A) health care services provided by a person licensed or
7 certified to provide those services under AS 08 or a "health care facility" as
8 that term is defined in AS 08.68.395(g);

9 (B) drugs, durable medical equipment, mobility enhancing
10 equipment, and prosthetic devices obtained on prescription from a person
11 licensed to prescribe those goods under AS 08 or from a health care facility, as
12 that term is defined in AS 08.68.395(g);

13 (3) isolated or occasional sales, leases, or rentals of tangible personal
14 property or sales of services by a person who is not regularly engaged in the business
15 of selling, leasing, or renting similar personal property or services;

16 (4) sales, leases, or rentals of tangible personal property and sales of
17 services by or to the state or a political subdivision of the state;

18 (5) the sale of natural gas, water, electricity, steam, or refuse and
19 garbage collection service.

20 **Sec. 43.44.030. Collection of sales and use tax.** (a) A seller shall add the
21 amount of the sales tax levied by this chapter and the amount of any municipal sales
22 tax levied under AS 29.45 to the sales price of personal property or services subject to
23 the tax. The tax shall be stated separately on any receipt, invoice, or other record of
24 the transaction.

25 (b) A seller shall collect the sales tax levied by this chapter and any municipal
26 sales tax levied under AS 29.45 from the buyer and remit the tax collected to the
27 department not later than 30 days following the last day of the month in which the tax
28 was collected.

29 (c) A seller remitting the sales tax collected under this chapter to the
30 department within 30 days following the last day of the month in which the tax was
31 collected may retain one percent of the amount collected to cover expenses associated

1 with collecting and remitting the tax.

2 (d) To the fullest extent permitted under the Constitution of the United States,
3 a person whose sales are not subject to the sales tax is required to collect the use tax
4 from the purchaser and pay the tax collected to the department.

5 **Sec. 43.44.040. Payment of use tax.** A user subject to the use tax shall remit
6 the tax levied under this chapter and any municipal use tax levied under AS 29.45 to
7 the department not later than 30 days following the last day of the month in which the
8 taxable use occurs.

9 **Sec. 43.44.050. Accounting.** The department shall deposit the proceeds of the
10 tax levied under this chapter in the general fund of the state and remit the proceeds of
11 any municipal sales and use tax collected under AS 43.44.030(b) and 43.44.040 to the
12 municipality levying the tax.

13 **Sec. 43.44.060. Relationship to municipal levies.** (a) A municipality may
14 not levy a sales and use tax except as provided in AS 04.21.010(c), AS 29.45.650, or
15 29.45.700. The department shall collect sales and use taxes levied under
16 AS 29.45.650 or 29.45.700. A municipality may not collect a sales and use tax levied
17 under AS 29.45.650 or 29.45.700.

18 (b) From the total combined state and municipal sales and use taxes collected
19 within the boundaries of a municipality, the department shall remit to the municipality
20 the amount described under this subsection. If the rate of a sales and use tax levied by
21 a municipality is

22 (1) less than three percent, the department shall remit the amount of
23 the tax levied by the municipality;

24 (2) at least three percent but less than four percent, the department
25 shall remit the amount that would have been collected in the municipality if the sales
26 and use tax levy had been four percent;

27 (3) at least four percent but less than five percent, the department shall
28 remit the amount that would have been collected in the municipality if the sales and
29 use tax levy had been five percent;

30 (4) five percent or more, the department shall round up to the next
31 whole number and remit the amount that would have been collected in the

1 municipality if the sales and use tax levy had been that whole number; for example, if
2 a municipality levied a sales and use tax at the rate of five percent, the department
3 shall remit the amount that would have been collected under a six percent levy.

4 **Sec. 43.44.070. Computation of tax.** (a) The taxes levied under this chapter
5 may be computed on an item or an invoice basis.

6 (b) The tax computation shall be

7 (1) carried to the third decimal place;

8 (2) rounded to a whole cent using a method that rounds up to the next
9 cent whenever the third decimal place is greater than four; and

10 (3) made according to a rounding algorithm prescribed by the
11 department.

12 **Sec. 43.44.080. Tax credit for sales or use tax paid to another state.** (a) A
13 buyer liable for use tax on tangible personal property or services is entitled to a full
14 credit for the amount of sales or use tax paid on the tangible personal property or
15 services to another state.

16 (b) The credit shall be applied first against the amount of use tax levied under
17 this chapter. Any unused portion of the credit shall then be applied against the amount
18 of use tax levied by a municipality under AS 29.45.650 or 29.45.700.

19 **Sec. 43.44.090. Liability for tax.** (a) Except as provided in (d) and (e) of this
20 section, a seller is liable for the sales tax on tangible personal property or services sold
21 by the seller.

22 (b) A buyer is secondarily liable for the tax on tangible personal property or
23 services sold to the buyer.

24 (c) A user is liable for the use tax.

25 (d) A seller that receives and accepts in good faith from a buyer a prescription
26 for tangible personal property or services exempt from the tax under AS 43.44.020 is
27 not liable for the sales tax on the tangible personal property or services prescribed.

28 (e) A seller that receives and accepts in good faith from a buyer a copy of the
29 buyer's direct payment permit is not liable for the sales tax on the tangible personal
30 property or services sold, leased, or rented to the buyer.

31 **Sec. 43.44.100. Registration.** A seller shall register with the department

1 before making a sale, lease, or rental of tangible personal property or a sale of services
2 that is taxable under this chapter.

3 **Sec. 43.44.110. Direct pay permit.** (a) The department may issue a direct
4 pay permit allowing the permit holder to purchase, lease, or rent taxable goods and
5 services without payment of tax to the seller at the time of purchase.

6 (b) The holder of a direct pay permit shall determine the tax due under this
7 chapter, and report and pay the tax directly to the department on a form and in a
8 format prescribed by the department.

9 **Sec. 43.44.199. Definitions.** In this chapter,

10 (1) "lease or rental" means any transfer of possession or control of
11 tangible personal property for a fixed or indeterminate term for consideration; a lease
12 or rental may include future options to purchase or extend; lease or rental

13 (A) does not include

14 (i) a transfer of possession or control of property under
15 a security agreement or deferred payment plan that requires the transfer
16 of title upon completion of the required payments;

17 (ii) a transfer of possession or control of property under
18 an agreement that requires the transfer of title upon completion of
19 required payments if payment of an option price does not exceed the
20 greater of \$100 or one percent of the total required payments; or

21 (iii) providing tangible personal property along with an
22 operator for a fixed or indeterminate period of time; a condition of this
23 exclusion is that the operator is necessary for the equipment to perform
24 as designed; for the purpose of this sub-subparagraph, an operator must
25 do more than maintain, inspect, or set up the tangible personal property;

26 (B) includes agreements covering motor vehicles and trailers
27 where the amount of consideration may be increased or decreased by reference
28 to the amount realized upon sale or disposition of the property as defined in 26
29 U.S.C. 7701(h)(1); this definition shall be used for sales and use tax purposes
30 regardless if a transaction is characterized as a lease or rental under generally
31 accepted accounting principles, the Internal Revenue Code, AS 45.29, or other

1 provisions of federal, state, or local law; this definition shall be applied only
 2 prospectively from the date of adoption and may not have a retroactive effect
 3 on existing leases or rentals;

4 (2) "purchase price" applies to the measure subject to use tax and has
 5 the same meaning as sales price;

6 (3) "sales price"

7 (A) applies to the measure subject to sales tax and means the
 8 total amount of consideration, including cash, credit, property, and services, for
 9 which personal property or services are sold, leased, or rented, valued in
 10 money, whether received in money or otherwise, without any deduction for the
 11 following:

12 (i) the seller's cost of the property sold;

13 (ii) the cost of materials used, labor or service cost,
 14 interest, losses, all costs of transportation to the seller, all taxes
 15 imposed on the seller, and any other expense of the seller;

16 (iii) charges by the seller for any services necessary to
 17 complete the sale, rental, or lease, other than delivery and installation
 18 charges;

19 (iv) delivery charges;

20 (v) installation charges;

21 (vi) the value of exempt personal property given to the
 22 purchaser where taxable and exempt personal property have been
 23 bundled together and sold, leased, or rented by the seller as a single
 24 product or piece of merchandise; and

25 (vii) credit for any trade-in;

26 (B) does not include

27 (i) discounts, including cash, term, or coupons that are
 28 not reimbursed by a third party that are allowed by a seller and taken by
 29 a purchaser on a sale;

30 (ii) interest, financing, and carrying charges from credit
 31 extended on the sale of personal property or services if the amount is

1 separately stated on the invoice, bill of sale, or similar document given
2 to the purchaser; and

3 (iii) taxes legally imposed directly on a consumer that
4 are separately stated on the invoice, bill of sale, or similar document
5 given to the purchaser;

6 (4) "seller" means a person making sales, leases, or rentals of tangible
7 personal property or services;

8 (5) "tangible personal property" means personal property that can be
9 seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to
10 the senses; "tangible personal property" includes electricity, water, gas, steam, and
11 prewritten computer software.

12 * Sec. 14. AS 43.56.030 is amended to read:

13 Sec. 43.56.030. In place of other taxes. Except for those taxes imposed
14 under AS 43.55, the taxes levied or authorized under AS 43.56.010(b) are in place of

15 (1) all other ad valorem taxes or other taxes imposed by a municipality
16 on property subject to tax under this chapter or exempted from taxation by
17 AS 43.56.020; and

18 (2) all other taxes imposed by a municipality on or with respect to the
19 property subject to tax under this chapter or exempted from taxation by AS 43.56.020,
20 including, but not limited to,

21 (A) taxes on the retail sale or use of the property except for the
22 retail sales tax levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of
23 each sale;

24 (B) taxes on the sale or use of gas or unrefined oil;

25 (C) taxes on the sale or use of services used in or associated
26 with the property or in its maintenance or operation except for the sales tax
27 levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of each sale;

28 (D) taxes on or measured by gross or net income from the
29 property, including income from the exploitation for, production of, or pipeline
30 transportation of gas or unrefined oil or property; and

31 (E) any license, excise, fee, charge or other tax on or pertaining

1 to the property or services.

2 * Sec. 15. Section 4, ch. 100, SLA 2002, as amended by sec. 9, ch. 117, SLA 2003, is
3 repealed and reenacted to read:

4 Sec. 4. AS 29.45.650(a) is amended to read:

5 (a) A [EXCEPT AS PROVIDED IN AS 29.45.750, A] borough may levy a
6 sales and use tax. If a borough levies a sales and use tax, it must conform exactly to
7 the statewide sales and use tax levied and collected under AS 43.44, except that the
8 municipal sales and use tax may be levied at any rate.

9 * Sec. 16. The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 TRANSITION: REGULATIONS. The Department of Revenue may proceed to adopt
12 regulations necessary to implement the provisions of this Act. The regulations take effect
13 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
14 provision being implemented.

15 * Sec. 17. The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 TRANSITION PROVISIONS. (a) A municipal sales and use tax rate ratified before
18 the effective date of the amendments to AS 29.45.650 and 29.45.700 made in this Act remains
19 in effect despite the amendments to AS 29.45 made by this Act. To the extent the provisions
20 of a municipal ordinance are inconsistent with the provisions of this Act, the provisions of the
21 municipal ordinance are superseded by this Act.

22 (b) A specific sales and use tax levied by a municipality that was in effect before the
23 effective date of the statewide sales and use tax levied in this Act and that applies only to one
24 group of products or services, including bed taxes and alcohol taxes, may continue in effect,
25 notwithstanding the provisions of this Act, subject to the provisions of AS 29.45 as they
26 existed immediately before the effective date of this Act.

27 * Sec. 18. Section 16 of this Act takes effect immediately under AS 01.10.070(c).

28 * Sec. 19. Except as provided in sec. 18 of this Act, this Act takes effect July 1, 2005.

A new formula in statute to determine the amount annually appropriated from the fund and the amount appropriated for dividends and education.

Annually, in regular session, the legislature shall determine what portion of the 5% of Market Value of the Permanent Fund will be appropriated to the General Fund.

From the above appropriation, the legislature shall appropriate an amount to the Dividend Fund of no less than ___% and no more than ___% of the maximum amount allowed for appropriation from the Permanent Fund by the Alaska Constitution. Any remainder shall be reserved to first fund education and then to replenish the Constitutional Budget Reserve.

No appropriation of any kind can be made from the Permanent Fund to the General Fund if that appropriation would draw down the actual inflation adjusted principal of the fund below the amount as calculated in this section.

- a) For the first year, start with the actual inflation adjusted principal of the fund as of June 30, 2003;
- b) Add the royalty payments deposited in the Permanent Fund between that date and June 30, 2004.
- c) Add an amount equal to the average increase in the Consumer Price Index for all urban consumers for the Anchorage metropolitan area compiled by the Bureau of Labor for the previous five full calendar years prior to June 30, 2004.

The amount shall be annually recalculated by adding royalty payments deposited into the Permanent Fund during the preceding fiscal year and the new amount calculated using the formula in subparagraph (c), above.

This Act shall become effective only if a "percent of market value" amendment is approved in the 2004 general election and then shall be effective 90 days after such ratification.

3/17/04
distributed by Sen. Seekins

23-LS1856A
Cook
3/16/04

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the income of and appropriations from the Alaska permanent fund
2 under art. IX, sec. 15(b), Constitution of the State of Alaska, and making conforming
3 amendments; and providing for an effective date."

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

5 * Section 1. AS 09.20.050(b) is amended to read:

6 (b) The jury list shall be based on a list prepared by the Department of
7 Revenue of all persons who filed an application for a [DISTRIBUTION OF
8 ALASKA] permanent fund dividend [INCOME] under AS 43.23 during the current
9 calendar year that shows an Alaska [ALASKAN] address, and of all persons who
10 volunteer for jury duty under (d) of this section. If considered necessary by the
11 administrative director of the Alaska Court System, the jury list shall incorporate a list
12 prepared by the Department of Administration of all persons who hold a valid Alaska
13 driver's license. The departments shall submit their respective lists to the Alaska
14 Court System not later than September 30 of each year. To the extent that it is

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-1-
Sen. Seekins

1 available, the departments shall include on the lists they submit the following
2 information for each person: first name, middle initial, and last name; mailing address,
3 including the zip code and birth date. The lists shall be recorded on magnetic tape
4 compatible with Alaska Court System data processing equipment.

5 * Sec. 2. AS 24.20.206 is amended to read:

6 **Sec. 24.20.206. Duties.** The Legislative Budget and Audit Committee shall

7 (1) [REPEALED

8 (2)] annually review the long-range operating plans of all agencies of
9 the state that perform lending or investment functions;

10 (2) [(3)] review periodic reports from all agencies of the state that
11 perform lending or investment functions;

12 (3) [(4)] prepare a complete report of investment programs, plans,
13 performance, and policies of all agencies of the state that perform lending or
14 investment functions and notify the legislature within 30 days after the convening of
15 each regular session that the report is available;

16 (4) [(5)] in conjunction with the finance committee of each house,
17 recommend annually to the legislature the investment policy for the general fund
18 surplus and for the [INCOME FROM THE] permanent fund;

19 (5) [(6)] provide for an annual post audit and annual operational and
20 performance evaluation of the Alaska Permanent Fund Corporation investments and
21 investment programs;

22 (6) [(7)] provide for an annual operational and performance evaluation
23 of the Alaska Housing Finance Corporation and the Alaska Industrial Development
24 and Export Authority; the performance evaluation must include, but is not limited to, a
25 comparison of the effect on various sectors of the economy by public and private
26 lending, the effect on resident and nonresident employment, the effect on real wages,
27 and the effect on state and local operating and capital budgets of the programs of the
28 Alaska Housing Finance Corporation and the Alaska Industrial Development and
29 Export Authority;

30 (7) [(8)] provide assistance to the trustees of the trust established in
31 AS 37.14.400 - 37.14.450 in carrying out their duties under AS 37.14.415.

1 * Sec. 3. AS 37.13 is amended by adding a new section to read:

2 **Sec. 37.13.143. Appropriations from the fund.** (a) The total amount
3 available for appropriation from the fund for a current fiscal year is first determined
4 under art. IX, sec. 15(b), Constitution of the State of Alaska. However, that amount
5 shall be further reduced as necessary so that after the appropriations are made for that
6 current fiscal year, the minimum balance of the fund shall equal the sum of the
7 following:

8 (1) the total of all amounts deposited into the fund under
9 AS 37.13.010;

10 (2) the total of all amounts appropriated or otherwise transferred to the
11 fund under former AS 37.13.145(c);

12 (3) the total of all amounts appropriated to the fund, other than
13 amounts appropriated under former AS 37.13.145(c);

14 (4) the total of all amounts to offset the effect of inflation on the fund,
15 as calculated under (b) of this section, for each of the fiscal years beginning with fiscal
16 year 2005 through the fiscal year that immediately preceded the current fiscal year.

17 (b) On the last day of each fiscal year, the corporation shall calculate the
18 amount to offset the effect of inflation on the fund for that fiscal year by

19 (1) computing the average of the monthly Consumer Price Index for all
20 urban consumers for the Anchorage metropolitan area compiled by the United States
21 Department of Labor, Bureau of Labor Statistics, for the first five full calendar years
22 immediately preceding the last day of that fiscal year;

23 (2) computing the average percentage change between each of the
24 calendar year averages determined under (1) of this subsection; and

25 (3) applying the rate determined under (2) of this subsection to the
26 minimum balance of the fund calculated under (a) of this section.

27 (c) Appropriations by the legislature under this section for a current fiscal year
28 may include an appropriation to the dividend fund established under AS 43.23.045.

29 * Sec. 4. AS 37.13 is amended by adding a new section to read:

30 **Sec. 37.13.148. Market value of the fund.** For the purposes of art. IX, sec.
31 15(b), Constitution of the State of Alaska, the corporation shall determine the market

1 value of the fund annually as of the close of business on June 30 in accordance with
2 generally accepted accounting principles for the determination of fair value.

3 * Sec. 5. AS 37.13.150 is amended to read:

4 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's
5 investments must be identified as the source of the operating budget of the corporation
6 in the state's operating budget under AS 37.07 (Executive Budget Act). [THE
7 UNEXPENDED BALANCE OF THE CORPORATION'S ANNUAL OPERATING
8 BUDGET DOES NOT LAPSE AT THE END OF THE FISCAL YEAR BUT SHALL
9 BE TREATED AS INCOME UNDER AS 37.13.140.]

10 * Sec. 6. AS 37.14.031(c) is amended to read.

11 (c) The net income of the fund shall be determined by the Alaska Permanent
12 Fund Corporation annually as of the last day of the fiscal year in accordance with
13 generally accepted accounting principles [IN THE SAME MANNER THE
14 CORPORATION DETERMINES THE NET INCOME OF THE ALASKA
15 PERMANENT FUND UNDER AS 37.13.140].

16 * Sec. 7. AS 43.23.025(a) is amended to read:

17 (a) By October 1 of each year, the commissioner shall determine the value of
18 each permanent fund dividend for that year by

19 (1) determining the total amount available for dividend payments,
20 which equals

21 (A) the amount of money appropriated from [INCOME OF]
22 the Alaska permanent fund [TRANSFERRED] to the dividend fund under
23 AS 37.13.143 [AS 37.13.145(b)] during the current year;

24 (B) plus the unexpended and unobligated balances of prior
25 fiscal year appropriations that lapse into the dividend fund under
26 AS 43.23.045(d);

27 (C) less the amount necessary to pay prior year dividends from
28 the dividend fund in the current year under AS 43.23.005(h) and under
29 AS 43.23.055(3) and (7);

30 (D) less the amount necessary to pay dividends from the
31 dividend fund due to eligible applicants who, as determined by the department,

1 filed for a previous year's dividend by the filing deadline but who were not
2 included in a previous year's dividend computation;

3 (E) less appropriations from the dividend fund during the
4 current year, including amounts to pay costs of administering the dividend
5 program and the hold harmless provisions of AS 43.23.075;

6 (2) determining the number of individuals eligible to receive a
7 dividend payment for the current year and the number of estates and successors
8 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

9 (3) dividing the amount determined under (1) of this subsection by the
10 amount determined under (2) of this subsection.

11 * Sec. 8. AS 43.23.028(a) is amended to read:

12 (a) By October 1 of each year, the commissioner shall give public notice of
13 the value of each permanent fund dividend for that year and notice of the information
14 required to be disclosed under (3) of this subsection. In addition, the stub attached to
15 each individual dividend check and direct deposit advice must

16 (1) disclose the amount of each dividend attributable to [INCOME
17 EARNED BY THE PERMANENT FUND FROM] deposits to that fund required
18 under art. IX, sec. 15, Constitution of the State of Alaska;

19 (2) disclose the amount of each dividend attributable to [INCOME
20 EARNED BY THE PERMANENT FUND FROM] appropriations to that fund and
21 the amount of each dividend attributable to [FROM] amounts added to that fund
22 before January 1, 2005, to offset the effects of inflation;

23 (3) disclose the amount by which each dividend has been reduced due
24 to each appropriation from the dividend fund, including amounts to pay the costs of
25 administering the dividend program and the hold harmless provisions of
26 AS 43.23.075;

27 (4) include a statement that an individual is not eligible for a dividend
28 when

29 (A) during the qualifying year, the individual was convicted of
30 a felony;

31 (B) during all or part of the qualifying year, the individual was

1 incarcerated as a result of the conviction of a

2 (i) felony; or

3 (ii) misdemeanor if the individual has been convicted of
4 a prior felony or two or more prior misdemeanors;

5 (5) include a statement that the legislative purpose for making
6 individuals listed under (4) of this subsection ineligible is to

7 (A) obtain reimbursement for some of the costs imposed on the
8 state criminal justice system related to incarceration or probation of those
9 individuals;

10 (B) provide funds for services for and payments to crime
11 victims and for grants for the operation of domestic violence and sexual assault
12 programs;

13 (6) disclose the total amount that would have been paid during the
14 previous fiscal year to individuals who were ineligible to receive dividends under
15 AS 43.23.005(d) if they had been eligible;

16 (7) disclose the total amount appropriated for the current fiscal year
17 under (b) of this section for each of the funds and agencies listed in (b) of this section.

18 * Sec. 9. AS 37.13.140, 37.13.145; and AS 37.13.300(c) are repealed.

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

21 **CONDITIONAL EFFECT.** This Act takes effect only if an amendment to art. IX, sec.
22 15, Constitution of the State of Alaska, relating to and limiting appropriations from the Alaska
23 permanent fund based on an averaged percent of the fund market value, is approved by the
24 voters during the 2004 general election and takes effect.

25 * Sec. 11. If this Act takes effect under sec. 10 of this Act, it takes effect on January 1,
26 2005.

Sales Tax SB 366
Sen. B. Stevens

SENATE BILL NO. 366

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE BY REQUEST

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the levy and collection of sales and use taxes, to the levy and
2 collection of municipal sales and use taxes, and to municipal sales and use taxes on
3 alcoholic beverages; and providing for an effective date."

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

5 * Section 1. AS 04.21.010(c) is amended to read:

6 (c) A municipality may not impose taxes on alcoholic beverages except a

7 (1) property tax on alcoholic beverage inventories;

8 (2) sales and use tax levied under AS 29.45.650 or 29.45.700 [TAX

9 ON ALCOHOLIC BEVERAGE SALES IF SALES TAXES ARE IMPOSED ON
10 OTHER SALES WITHIN THE MUNICIPALITY];

11 (3) sales tax on alcoholic beverage sales that was in effect before
12 July 1, 1985 [; AND

13 (4) SALES AND USE TAX ON ALCOHOLIC BEVERAGES IF THE
14 SALE OF ALCOHOLIC BEVERAGES WITHIN THE MUNICIPALITY HAS

1 BEEN PROHIBITED UNDER AS 04.11.491(a)(1), (4), OR (5)].

2 * Sec. 2. AS 29.05.210(b) is amended to read:

3 (b) The department shall provide assistance to each borough and unified
4 municipality incorporated after December 31, 1985, in

5 (1) establishing the initial sales and use tax assessment [AND
6 COLLECTION DEPARTMENT] if the borough or unified municipality has adopted a
7 sales or use tax;

8 (2) determining the initial property tax assessment roll if the borough
9 or unified municipality has adopted a property tax, including contracting for appraisals
10 of property needed to complete the initial assessment.

11 * Sec. 3. AS 29.10.200(51) is amended to read:

12 (51) AS 29.45.650 [AS 29.45.650(c), (d), (e), (f), (i), AND (j)] (sales
13 and use tax);

14 * Sec. 4. AS 29.10.200(52) is amended to read:

15 (52) AS 29.45.700 [AS 29.45.700(d) AND (e)] (sales and use tax);

16 * Sec. 5. AS 29.35.110(a) is amended to read:

17 (a) Borough revenues received through taxes levied [COLLECTED] on an
18 areawide basis by the borough may be expended on general administrative costs and
19 on areawide functions only. Borough revenues received through taxes levied
20 [COLLECTED] on a nonareawide basis may be expended on general administrative
21 costs and functions that render service only to the area outside all cities in the
22 borough.

23 * Sec. 6. AS 29.35.170 is amended to read:

24 Sec. 29.35.170. Assessment and collection of taxes. (a) A borough shall
25 assess [AND COLLECT] property [, SALES, AND USE] taxes and collect taxes,
26 other than sales and use taxes. that are levied in its boundaries, subject to AS 29.45.

27 (b) Taxes, other than sales and use taxes, levied by a city shall be collected
28 by a borough and returned in full to the levying city. This subsection applies to home
29 rule and general law municipalities.

30 * Sec. 7. AS 29.45.650 is repealed and reenacted to read:

31 Sec. 29.45.650. Sales and use tax. (a) Except as provided in AS 29.45.750, a

1 borough may levy a sales and use tax. If a borough levies a sales and use tax, it must
 2 conform exactly to the statewide sales and use tax levied and collected under
 3 AS 43.44, except that the municipal sales and use tax may be levied at any rate.

4 (b) The Department of Revenue shall collect a sales and use tax levied under
 5 this section and remit the proceeds to the municipality. The Department of Revenue
 6 may use its administrative authority under AS 43.05 and its enforcement and
 7 collection authority under AS 43.10 to collect a sales and use tax levied under this
 8 section.

9 * Sec. 8. AS 29.45.660(a) is amended to read:

10 (a) If the borough levies [AND COLLECTS] only a sales tax and use tax, the
 11 assembly shall provide a notice substantially in the form set out in AS 29.45.020. In
 12 providing notice under this subsection, the assembly shall substitute for the millage
 13 equivalency its estimate of the equivalent sales tax rate for each of the categories of
 14 financial assistance set out in AS 29.45.020. Notice shall be provided

15 (1) by publishing in a newspaper of general circulation in the borough
 16 a copy of the notice once each week for a period of three successive weeks, with
 17 publication to occur not later than 45 days after the final adoption of the borough's
 18 budget; or

19 (2) if there is no newspaper of general circulation in the borough, by
 20 posting a copy of the notice for at least 20 days in at least two public places in the
 21 borough, with posting to occur not later than 45 days after the final adoption of the
 22 borough's budget.

23 * Sec. 9. AS 29.45.670 is amended to read:

24 Sec. 29.45.670. Referendum, adoption, and modification. A new sales and
 25 use tax or an increase in the rate of levy of a sales tax approved by ordinance does not
 26 take effect until ratified by a majority of the voters at an election. A municipality
 27 may not require that a new sales and use tax or an increase in the rate of levy of a
 28 sales tax approved by ordinance be ratified by more than 50 percent plus one of
 29 the voters voting on the issue.

30 * Sec. 10. AS 29.45.700 is repealed and reenacted to read:

31 Sec. 29.45.700. Power of levy. A city may levy a sales and use tax in the

1 manner provided for boroughs under AS 29.45.650.

2 * Sec. 11. AS 29.45.750(b) is amended to read:

3 (b) A municipality that levies [AND COLLECTS] a sales tax on mobile
4 telecommunications services shall do so in accordance with the provisions of 4 U.S.C.
5 116 - 126 (Mobile Telecommunications Sourcing Act).

6 * Sec. 12. AS 29.45.810(a) is amended to read:

7 (a) A party to a contract approved by the legislature as a result of submission
8 of a proposed contract developed under AS 43.82 or as a result of acts by the
9 legislature in implementing the purposes of AS 43.82, and the property, gas, products,
10 and activities associated with the approved qualified project that is subject to the
11 contract, are exempt, as specified in the contract, from all taxes identified in the
12 contract that would be levied [AND COLLECTED] by a municipality under state law
13 as a consequence of the participation by the party in the approved qualified project.

14 * Sec. 13. AS 43 is amended by adding a new chapter to read:

15 Chapter 44. Sales and Use Tax.

16 Sec. 43.44.010. Levy of sales and use tax; tax rate. (a) A sales tax is levied
17 on the sale, lease, or rental of tangible personal property and on the sale of services.

18 (b) A use tax is levied on the privilege of using in the state tangible personal
19 property or services. The use tax is not levied if the sales tax levied in (a) of this
20 section has been paid.

21 (c) The rate of the sales tax is four percent of the sales price. The rate of the
22 use tax is four percent of the purchase price.

23 Sec. 43.44.020. Exemptions. The tax levied under AS 43.44.010 does not
24 apply to

25 (1) tangible personal property or services that are

26 (A) explicitly exempted from taxation under another provision
27 of state law; or

28 (B) exempt from taxation under federal law, including sales to
29 the federal government, and purchases made with

30 (i) food coupons, food stamps, or other types of
31 certificates issued under 7 U.S.C. 2011 - 2036 (Food Stamp Program);

1 and

2 (ii) food instruments, food vouchers, or other types of
3 certificates issued under 42 U.S.C. 1786 (Special Supplemental
4 Nutrition Program for Women, Infants, and Children);

5 (2) medical care, including

6 (A) health care services provided by a person licensed or
7 certified to provide those services under AS 08 or a "health care facility" as
8 that term is defined in AS 08.68.595(g);

9 (B) drugs, durable medical equipment, mobility enhancing
10 equipment, and prosthetic devices obtained on prescription from a person
11 licensed to prescribe those goods under AS 08 or from a health care facility, as
12 that term is defined in AS 08.68.395(g);

13 (3) isolated or occasional sales, leases, or rentals of tangible personal
14 property or sales of services by a person who is not regularly engaged in the business
15 of selling, leasing, or renting similar personal property or services;

16 (4) sales, leases, or rentals of tangible personal property and sales of
17 services by or to the state or a political subdivision of the state;

18 (5) the sale of natural gas, water, electricity, steam, or refuse and
19 garbage collection service.

20 Sec. 43.44.030. Collection of sales and use tax. (a) A seller shall add the
21 amount of the sales tax levied by this chapter and the amount of any municipal sales
22 tax levied under AS 29.45 to the sales price of personal property or services subject to
23 the tax. The tax shall be stated separately on any receipt, invoice, or other record of
24 the transaction.

25 (b) A seller shall collect the sales tax levied by this chapter and any municipal
26 sales tax levied under AS 29.45 from the buyer and remit the tax collected to the
27 department not later than 30 days following the last day of the month in which the tax
28 was collected.

29 (c) A seller remitting the sales tax collected under this chapter to the
30 department within 30 days following the last day of the month in which the tax was
31 collected may retain one percent of the amount collected to cover expenses associated

1 with collecting and remitting the tax.

2 (d) To the fullest extent permitted under the Constitution of the United States,
3 a person whose sales are not subject to the sales tax is required to collect the use tax
4 from the purchaser and pay the tax collected to the department.

5 **Sec. 43.44.040. Payment of use tax.** A user subject to the use tax shall remit
6 the tax levied under this chapter and any municipal use tax levied under AS 29.45 to
7 the department not later than 30 days following the last day of the month in which the
8 taxable use occurs.

9 **Sec. 43.44.050. Accounting.** The department shall deposit the proceeds of the
10 tax levied under this chapter in the general fund of the state and remit the proceeds of
11 any municipal sales and use tax collected under AS 43.44.030(b) and 43.44.040 to the
12 municipality levying the tax.

13 **Sec. 43.44.060. Relationship to municipal levies.** (a) A municipality may
14 not levy a sales and use tax except as provided in AS 04.21.010(c), AS 29.45.650, or
15 29.45.700. The department shall collect sales and use taxes levied under
16 AS 29.45.650 or 29.45.700. A municipality may not collect a sales and use tax levied
17 under AS 29.45.650 or 29.45.700.

18 (b) From the total combined state and municipal sales and use taxes collected
19 within the boundaries of a municipality, the department shall remit to the municipality
20 the amount described under this subsection. If the rate of a sales and use tax levied by
21 a municipality is

22 (1) less than three percent, the department shall remit the amount of
23 the tax levied by the municipality;

24 (2) at least three percent but less than four percent, the department
25 shall remit the amount that would have been collected in the municipality if the sales
26 and use tax levy had been four percent;

27 (3) at least four percent but less than five percent, the department shall
28 remit the amount that would have been collected in the municipality if the sales and
29 use tax levy had been five percent;

30 (4) five percent or more, the department shall round up to the next
31 whole number and remit the amount that would have been collected in the

1 municipality if the sales and use tax levy had been that whole number; for example, if
2 a municipality levied a sales and use tax at the rate of five percent, the department
3 shall remit the amount that would have been collected under a six percent levy.

4 **Sec. 43.44.070. Computation of tax.** (a) The taxes levied under this chapter
5 may be computed on an item or an invoice basis.

6 (b) The tax computation shall be

7 (1) carried to the third decimal place;

8 (2) rounded to a whole cent using a method that rounds up to the next
9 cent whenever the third decimal place is greater than four; and

10 (3) made according to a rounding algorithm prescribed by the
11 department.

12 **Sec. 43.44.080. Tax credit for sales or use tax paid to another state.** (a) A
13 buyer liable for use tax on tangible personal property or services is entitled to a full
14 credit for the amount of sales or use tax paid on the tangible personal property or
15 services to another state.

16 (b) The credit shall be applied first against the amount of use tax levied under
17 this chapter. Any unused portion of the credit shall then be applied against the amount
18 of use tax levied by a municipality under AS 29.45.650 or 29.45.700.

19 **Sec. 43.44.090. Liability for tax.** (a) Except as provided in (d) and (e) of this
20 section, a seller is liable for the sales tax on tangible personal property or services sold
21 by the seller.

22 (b) A buyer is secondarily liable for the tax on tangible personal property or
23 services sold to the buyer.

24 (c) A user is liable for the use tax.

25 (d) A seller that receives and accepts in good faith from a buyer a prescription
26 for tangible personal property or services exempt from the tax under AS 43.44.020 is
27 not liable for the sales tax on the tangible personal property or services prescribed.

28 (e) A seller that receives and accepts in good faith from a buyer a copy of the
29 buyer's direct payment permit is not liable for the sales tax on the tangible personal
30 property or services sold, leased, or rented to the buyer.

31 **Sec. 43.44.100. Registration.** A seller shall register with the department

1 before making a sale, lease, or rental of tangible personal property or a sale of services
2 that is taxable under this chapter.

3 Sec. 43.44.110. Direct pay permit. (a) The department may issue a direct
4 pay permit allowing the permit holder to purchase, lease, or rent taxable goods and
5 services without payment of tax to the seller at the time of purchase.

6 (b) The holder of a direct pay permit shall determine the tax due under this
7 chapter, and report and pay the tax directly to the department on a form and in a
8 format prescribed by the department.

9 Sec. 43.44.199. Definitions. In this chapter,

10 (1) "lease or rental" means any transfer of possession or control of
11 tangible personal property for a fixed or indeterminate term for consideration; a lease
12 or rental may include future options to purchase or extend; lease or rental

13 (A) does not include

14 (i) a transfer of possession or control of property under
15 a security agreement or deferred payment plan that requires the transfer
16 of title upon completion of the required payments;

17 (ii) a transfer of possession or control of property under
18 an agreement that requires the transfer of title upon completion of
19 required payments if payment of an option price does not exceed the
20 greater of \$100 or one percent of the total required payments; or

21 (iii) providing tangible personal property along with an
22 operator for a fixed or indeterminate period of time; a condition of this
23 exclusion is that the operator is necessary for the equipment to perform
24 as designed; for the purpose of this sub-subparagraph, an operator must
25 do more than maintain, inspect, or set up the tangible personal property;

26 (B) includes agreements covering motor vehicles and trailers
27 where the amount of consideration may be increased or decreased by reference
28 to the amount realized upon sale or disposition of the property as defined in 26
29 U.S.C. 7701(h)(1); this definition shall be used for sales and use tax purposes
30 regardless if a transaction is characterized as a lease or rental under generally
31 accepted accounting principles, the Internal Revenue Code, AS 45.29, or other

1 provisions of federal, state, or local law; this definition shall be applied only
2 prospectively from the date of adoption and may not have a retroactive effect
3 on existing leases or rentals;

4 (2) "purchase price" applies to the measure subject to use tax and has
5 the same meaning as sales price;

6 (3) "sales price"

7 (A) applies to the measure subject to sales tax and means the
8 total amount of consideration, including cash, credit, property, and services, for
9 which personal property or services are sold, leased, or rented, valued in
10 money, whether received in money or otherwise, without any deduction for the
11 following:

12 (i) the seller's cost of the property sold;

13 (ii) the cost of materials used, labor or service cost,
14 interest, losses, all costs of transportation to the seller, all taxes
15 imposed on the seller, and any other expense of the seller;

16 (iii) charges by the seller for any services necessary to
17 complete the sale, rental, or lease, other than delivery and installation
18 charges;

19 (iv) delivery charges;

20 (v) installation charges;

21 (vi) the value of exempt personal property given to the
22 purchaser where taxable and exempt personal property have been
23 bundled together and sold, leased, or rented by the seller as a single
24 product or piece of merchandise; and

25 (vii) credit for any trade-in;

26 (B) does not include

27 (i) discounts, including cash, term, or coupons that are
28 not reimbursed by a third party that are allowed by a seller and taken by
29 a purchaser on a sale;

30 (ii) interest, financing, and carrying charges from credit
31 extended on the sale of personal property or services if the amount is

1 separately stated on the invoice, bill of sale, or similar document given
2 to the purchaser; and

3 (iii) taxes legally imposed directly on a consumer that
4 are separately stated on the invoice, bill of sale, or similar document
5 given to the purchaser;

6 (4) "seller" means a person making sales, leases, or rentals of tangible
7 personal property or services;

8 (5) "tangible personal property" means personal property that can be
9 seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to
10 the senses; "tangible personal property" includes electricity, water, gas, steam, and
11 prewritten computer software.

12 * Sec. 14. AS 43.56.030 is amended to read:

13 Sec. 43.56.030. In place of other taxes. Except for those taxes imposed
14 under AS 43.55, the taxes levied or authorized under AS 43.56.010(b) are in place of

15 (1) all other ad valorem taxes or other taxes imposed by a municipality
16 on property subject to tax under this chapter or exempted from taxation by
17 AS 43.56.020; and

18 (2) all other taxes imposed by a municipality on or with respect to the
19 property subject to tax under this chapter or exempted from taxation by AS 43.56.020,
20 including, but not limited to,

21 (A) taxes on the retail sale or use of the property except for the
22 retail sales tax levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of
23 each sale;

24 (B) taxes on the sale or use of gas or unrefined oil;

25 (C) taxes on the sale or use of services used in or associated
26 with the property or in its maintenance or operation except for the sales tax
27 levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of each sale;

28 (D) taxes on or measured by gross or net income from the
29 property, including income from the exploration for, production of, or pipeline
30 transportation of gas or unrefined oil or property; and

31 (E) any license, excise, fee, charge or other tax on or pertaining

1 to the property or services.

2 * Sec. 15. Section 4, ch. 100, SLA 2002, as amended by sec. 9, ch. 117, SLA 2003, is
3 repealed and reenacted to read:

4 Sec. 4. AS 29.45.650(a) is amended to read:

5 (a) A [EXCEPT AS PROVIDED IN AS 29.45.750, A] borough may levy a
6 sales and use tax. If a borough levies a sales and use tax, it must conform exactly to
7 the statewide sales and use tax levied and collected under AS 43.44, except that the
8 municipal sales and use tax may be levied at any rate.

9 * Sec. 16. The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 TRANSITION: REGULATIONS. The Department of Revenue may proceed to adopt
12 regulations necessary to implement the provisions of this Act. The regulations take effect
13 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
14 provision being implemented.

15 * Sec. 17. The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 TRANSITION PROVISIONS. (a) A municipal sales and use tax rate ratified before
18 the effective date of the amendments to AS 29.45.650 and 29.45.700 made in this Act remains
19 in effect despite the amendments to AS 29.45 made by this Act. To the extent the provisions
20 of a municipal ordinance are inconsistent with the provisions of this Act, the provisions of the
21 municipal ordinance are superseded by this Act.

22 (b) A specific sales and use tax levied by a municipality that was in effect before the
23 effective date of the statewide sales and use tax levied in this Act and that applies only to one
24 group of products or services, including bed taxes and alcohol taxes, may continue in effect,
25 notwithstanding the provisions of this Act, subject to the provisions of AS 29.45 as they
26 existed immediately before the effective date of this Act.

27 * Sec. 18. Section 16 of this Act takes effect immediately under AS 01.10.070(c).

28 * Sec. 19. Except as provided in sec. 18 of this Act, this Act takes effect July 1, 2005.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
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Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 1st St., Rm. 329

MEMORANDUM

March 17, 2004

SUBJECT: Sales and Use Taxes (Senate Bill No. 366)

TO: Senator Ben Stevens
Attn: Phelan Straube

FROM: Kathryn L. Kurtz *KLC*
Legislative Counsel

You have requested a sectional summary of the above-described bill.

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

Section 1. Conforming reference change to alcoholic beverage tax statute.

Section 2. Removes reference to collection of sales and use tax by municipalities to conform with changes made later in bill.

Section 3. Conforming reference change.

Section 4. Conforming reference change.

Section 5. Removes reference to collection of sales and use tax by municipalities to conform with changes made later in bill.

Section 6. Removes authority of municipalities to collect sales and use taxes.

Section 7. Repeals and reenacts the statute authorizing boroughs to impose sales and use taxes. Permits boroughs to levy sales and use taxes only if the borough tax conforms exactly to the statewide sales and use tax, except in rate. Provides that the Department of Revenue will collect borough sales and use taxes.

Section 8. Removes reference to collection of sales and use tax by boroughs.

Section 9. Prohibits municipalities from requiring more than a majority vote to impose a sales and use tax or increase the rate of levy of a sales and use tax.

Senator Ben Stevens
March 17, 2004
Page 2

Section 10. Repeals and reenacts the provision authorizing cities to impose sales and use taxes; authorizes cities to impose sales and use taxes in the manner provided for boroughs.

Section 11. Removes reference to collection of sales and use tax by municipalities.

Section 12. Removes reference to collection of sales and use tax by municipalities.

Section 13. Creates a new statewide sales and use tax at a rate of four percent. Provides exemptions for goods and services exempt under other provisions of law, medical care, isolate 1 or occasional sales, sales by or to the state or a political subdivision of the state, and the sale of certain utility services.

Requires sellers to state the tax separately on any record of the transaction, to collect the tax, and to remit the tax to the department; permits sellers that timely remit the tax to the department to retain one percent of the amount collected. Requires users subject to the use tax to remit the tax within one month of the date the use occurs.

Requires the department to remit the proceeds of municipal sales and use taxes to the municipalities, plus an additional amount if the municipal levy is not a round percent.

Permits computation of the tax on an item or invoice basis, and provides rules for computation.

Provides a use tax credit for sales taxes paid to another state.

Holds buyers, sellers, and users liable for the tax, with certain exceptions.

Requires sellers to register with the department before making a taxable sale.

Provides for issuance to and use by buyers of direct pay permits.

Defines terms.

Section 14. Conforming reference change to oil and gas tax statute.

Section 15. Amends conditional amendment to AS 29.45.650(a) that has not yet taken effect.

Section 16. Authorizes the commissioner to adopt regulations necessary to implement the tax.

Section 17. Transition provisions permitting continuance of pre-existing municipal sales tax rates and specific sales and use taxes.

Senator Ben Stevens
March 17, 2004
Page 3

Section 18. Provides an immediate effective date for the provision authorizing the Department of Revenue to adopt regulations.

Section 19. Provides an effective date of July 1, 2005, for the remainder of the bill.

KLK:med
04-306.med

Comparison of State and Local Retail Sales Taxes 2003
(January 2003)

	Food Items [1] Taxable (T) Exempt (E)	State Rate	Maximum Local Rate [2]	Maximum State/Local Rate [2]
Alabama	T	4	6	11
Alaska	T	---	7.00 [3]	7
Arizona	E	5.6	3	8.6
Arkansas	T	5.125	4.75	9.875
California	E	6	2.5	8.5
Colorado	E	2.9	5.0 0	7.9
Connecticut	E	6	---	6
District of Columbia	E	5.75	---	5.75
Florida	E	6	1.5	7.5
Georgia	E	4	3	7
Hawaii	T*	4	---	4
Idaho	T*	5	3	8
Illinois	T**	6.25	3	9.25
Indiana	E	6	---	6
Iowa	E	5	2	7
Kansas	T*	5.2	3	8.3
Kentucky	E	6	---	6
Louisiana	T**[4]	4	5.5	9.5
Maine	E	5	---	5
Maryland	E	5	---	5
Massachusetts	E	5	---	5
Michigan	E	6	---	6
Minnesota	E	6.5	1	7.5
Mississippi	T	7	0.25	7.25
Missouri	T	4.225	4.125	8.35
Nebraska	E	5.5	1.5	7
Nevada	E	6.5	0.75	7.25
New Jersey	E	6	---	6
New Mexico	T	5	2.25	7.25
New York	E	4	4.5	8.5
North Carolina	E [4]	4.5	3	7.5
North Dakota	E	5	2.5	7.5
Ohio	E	5	2	7
Oklahoma	T	4.5	5.35	9.85
Pennsylvania	E	6	1	7
Rhode Island	E	7	---	7
South Carolina	T**	5	2	7
South Dakota	T*	4	2	6
Tennessee	T	7	2.75	9.75
Texas	E	6.25	2	8.25
Utah	T	4.75	2.25	7
Vermont	E	5	1	6
Virginia	T**	3.5	1	4.5
Washington	E	6.5	2.4	8.9
West Virginia	T	6	---	6
Wisconsin	E	5	0.6	5.6
Wyoming	T*	4	2	6

3/18 pm
Sales Tax

Appendix B. State Sales Tax Rates as of January 1, 2003				
State/Jurisdiction	Tax Rates	Exceptions		
		Food	Prescription Drugs	Non-Prescription Drugs
Alabama	4¢		✓	
Alaska	None			
Arizona	5.6	✓	✓	
Arkansas	5.125		✓	
California (3)	7.25 (2)	✓	✓	
Colorado	2.9	✓	✓	
Connecticut	6	✓	✓	✓
Delaware	None			
Florida	6	✓	✓	✓
Georgia	4	✓	✓	
Hawaii	4		✓	
Idaho	5		✓	
Illinois (2)	6.25	1%	1%	1%
Indiana	6	✓	✓	
Iowa	5	✓	✓	
Kansas (6)	5.3		✓	
Kentucky	6	✓	✓	
Louisiana	4	2% (4)	✓	
Maine	5	✓	✓	
Maryland	5	✓	✓	✓
Massachusetts	5	✓	✓	
Michigan	6	✓	✓	
Minnesota	6.5	✓	✓	✓
Mississippi	7		✓	
Missouri	4.225	1.225	✓	
Montana	None			
Nebraska (7)	5.5	✓	✓	
Nevada	6.5	✓	✓	
New Hampshire	None			
New Jersey	6	✓	✓	✓
New Mexico	5		✓	
New York	4¢	✓	✓	✓
North Carolina	4.5	✓ (4)	✓	
North Dakota	5	✓	✓	
Ohio	5	✓	✓	
Oklahoma	4.5		✓	
Oregon	None			
Pennsylvania	6	✓	✓	✓
Rhode Island	7	✓	✓	✓
South Carolina	5		✓	
South Dakota	4		✓	
Tennessee	7	6%	✓	
Texas	6.25	✓	✓	✓

Appendix B. State Sales Tax Rates as of January 1, 2003 (continued)				
State/Jurisdiction	Tax Rates	Exceptions		
		Food	Prescription Drugs	Non-Prescription Drugs
Utah	4.75¢		✓	
Vermont	5	✓	✓	✓
Virginia	4.5 (2)	4.0% (5)	✓	✓
Washington	6.5	✓	✓	
West Virginia	6		✓	
Wisconsin	5	✓	✓	
Wyoming (3)	4		✓	
District of Columbia	5.75	✓	✓	✓
Puerto Rico	Jewelry 5% Room Tax 9% Hotel with Casino 11%			

Key:
✓ = Indicates exempt from tax, blank indicates subject to general sales tax rate.

Notes:

1. Some states tax food, but allow an (income) tax credit to compensate poor households. They are Idaho, Kansas, South Dakota and Wyoming.
2. Includes statewide local tax of 1.25% in California and 1% in Virginia.
3. Tax rate may be adjusted annually, according to a formula based on balances in the unappropriated general fund and the school foundation fund.
4. Food sales are subject to local sales taxes. In Louisiana, food sales scheduled to be exempt on July 1, 2003.
5. Tax rate on food is scheduled to decrease to 3.5% on April 1, 2003. Statewide local tax is included.
6. Tax rate is scheduled to decrease to 5.2% on July 1, 2003.
7. Tax rate is scheduled to decrease to 5% on Oct. 1, 2003.

Source: Compiled by the Federation of Tax Administrators from various sources, 2003. (For future updates, this information is available at www.taxadmin.org.)

TABLE 1

2002 Municipalities: Class, Populations and Tax Types

Municipality	Type of Municipality	Population	Property Tax	Sales Tax	Special Tax
Adak	Second Class City	316	No	3%	No
Akhlok	Second Class City	80	No*	No	No
Akiak	Second Class City	309	No	NR	NR
Akutan	Second Class City	713	No	No	1% Raw Fish Tax
Alakanuk	Second Class City	652	No	4%	No
Aleknagik	Second Class City	221	No	5%	5% Bed Tax
Aleutians East Borough	Second Class Borough	2,697	No	No	2% Raw Fish Tax
Allakaket	Second Class City	97	No	No	No
Ambler	Second Class City	309	No	3%	No
Anaktuvuk Pass	Second Class City	282	No*	No	No
Municipality of Anchorage	Unified Home Rule	260,283	Yes	No	8% Bed Tax & Car Rental/15% Tobacco Tax/Aircraft (flat)
Anderson	Second Class City	513	No	No	8% Utility Tax
Angoon	Second Class City	572	No	3%	3% Bed Tax
Aniak	Second Class City	572	No	2%	No
Anvik	Second Class City	104	No	No	No
Alka	Second Class City	92	No	NR	NR
Algasuk	Second Class City	228	No*	No	No
Barrow	First Class City	4,581	No*	No	3% Alcohol Tax
Bethel	Second Class City	5,471	No	5%	3% Bed/5% Alcohol/Fish/MVRT/5% Gaming
Bettles	Second Class City	43	No	No	5.02/gal. Fuel Transfer Tax
Brevig Mission	Second Class City	276	No	3%	No
Bristol Bay Borough	Second Class Borough	1,258	Yes	No	3% Raw Fish Tax; 6% Bed Tax
Buckland	Second Class City	406	No	2%	No
Chefornak	Second Class City	394	No	2%	No
Chevak	Second Class City	765	No	3%	No
Chignik	Second Class City	79	No	No	1% salmon tax/2% other seafood
Chualaruk	Second Class City	119	No	No	No
Clarks Point	Second Class City	75	No	5%	No
Collman Cove	Second Class City	199	No	No	No
Cold Bay	Second Class City	88	No	No	0.25/gal. Fuel Tax/\$ 01 gal Wharfage Fee/8% Bed Tax
Cordova	Home Rule City	2,454	Yes	6%	6% Bed Tax/6% Vehicle Rental Tax
Craig	First Class City	1,397	Yes	5%	6% Liquor Tax/Raw fish tax
Drering	Second Class City	136	No	3%	No
Delta Junction	Second Class City	840	No	No	No
Denali Borough	Home Rule Borough	2,039	No	No	Sev. Tax \$ 05/yd gravel-\$ 05 ton-coal-\$. Bed Tax 7%
Dillingham	First Class City	2,466	Yes	6%	10% Bed Tax / 10% Liquor Tax/6% Gaming
Diomedes	Second Class City	146	No	3%	No
Eagle	Second Class City	129	Yes	No	No
Eek	Second Class City	280	No	2%	No
Egegik	Second Class City	116	No	No	1% Raw Fish Tax
Ekwook	Second Class City	130	No	No	No
Elim	Second Class City	318	No	2%	No
Emmonak	Second Class City	767	No	3%	No
Fairbanks	Home Rule City	30,224	Yes	No	8% Bed Tax/ 5% Alcohol Tax/ 8% Tobacco Tax
Fairbanks North Star Borough	Second Class Borough	82,840	Yes	No	8% Bed Tax
False Pass	Second Class City	76	No	2%	No
Fort Yukon	Second Class City	595	No	3%	No
Galena	First Class City	675	No	3%	No
Gambell	Second Class City	649	No	NR	NR
Golovin	Second Class City	144	No	No	No
Goodnews Bay	Second Class City	230	No	NR	NR
Graying	Second Class City	194	No	NR	NR
Haines**	First Class City	1,811	Yes	4%	No
Haines Borough**	Third Class Borough	2,392	Yes	1.5%	4% Bed Tax/4% Tour Tax
Holy Cross	Second Class City	227	No	No	No
Homer	First Class City	3,946	Yes	3.50%	No

Note: Municipal populations are from the State Revenue Sharing Program

*Indicates that City does not levy property tax, but Borough in which City is located does

** The City of Haines and the Haines Borough consolidated after January 1, 2002, into a single Home Rule Government

TABLE 1

2002 Municipalities: Class, Populations and Tax Types - continued

Municipality	Type of Municipality	Population	Property Tax	Sales Tax	Special Tax
Hoonah	First Class City	860	No	5%	No
Hooper Bay	Second Class City	1,014	No	NR	NR
Houston	Second Class City	1,202	Yes	No	No
Hughes	Second Class City	78	No	No	No
Huslia	Second Class City	293	No	No	No
Hydaburg	First Class City	382	No	4%	No
Juneau, City & Borough of	Unified Home Rule	30,903	Yes	5%	7% Bed Tax/ 3% Liquor Tax/ 6% Tobacco Tax
Kachemak	Second Class City	431	Yes	No	No
Kake	First Class City	710	No	5%	1% Raw Fish Tax
Kaktovik	Second Class City	293	No*	No	No
Kaltag	Second Class City	230	No	No	No
Kasaan	Second Class City	39	No	No	No
Kenai	Home Rule City	6,942	Yes	3%	No
Kenai Peninsula Borough	Second Class Borough	49,691	Yes	2%	No
Ketchikan	Home Rule City	7,922	Yes	3.50%	6% Bed Tax
Ketchikan Gateway Borough	Second Class Borough	14,370	Yes	2%	4% Bed Tax
Kiana	Second Class City	388	No	2%	No
King Cove	First Class City	792	No	3%	No
Kivalina	Second Class City	377	No	2%	No
Klawock	First Class City	854	No	5.50%	6% Bed Tax
Kobuk	Second Class City	109	No	No	No
Kodiak	Home Rule City	6,334	Yes	6%	5% Bed Tax
Kodiak Island Borough	Second Class Borough	13,913	Yes	No	9.25 mill Severance Tax, 5% Bed Tax
Kotlik	Second Class City	591	No	3%	No
Kolzebue	Second Class City	3,082	No	6%	6% Bed Tax/ 6% Alcohol Tax
Koyuk	Second Class City	297	No	2%	No
Koyukuk	Second Class City	101	No	No	No
Kupreanof	Second Class City	23	No	No	No
Kwethluk	Second Class City	713	No	5%	No
Lake & Peninsula Borough	Home Rule Borough	1,823	No	No	2% Raw Fish Tax/Guide Fees/6% Bed Tax
Larsen Bay	Second Class City	115	No*	3%	No
Lower Kalskag	Second Class City	267	No	NR	NR
Manokotak	Second Class City	399	No	2%	No
Marshall	Second Class City	349	No	4%	No
Matanuska-Susitna Borough	Second Class Borough	59,322	Yes	No	5% Bed Tax
McGrath	Second Class City	401	No	No	No
Makoryuk	Second Class City	210	No	2%	No
Mellakalla	Federal Law	1,447	No	No	No
Mountain Village	Second Class City	755	No	3%	No
Napaklak	Second Class City	353	No	2%	No
Napasklak	Second Class City	390	No	NR	NR
Nenana	Home Rule City	486	Yes	4%	No
New Sluyahok	Second Class City	471	No	No	No
Newhalen	Second Class City	160	No	NR	NR
Nightmute	Second Class City	208	No	2%	No
Nikolai	Second Class City	104	No	No	No
Nome	First Class City	3,505	Yes	4%	4% Bed Tax
Nondalton	Second Class City	221	No	3%	No
Noorvik	Second Class City	634	No	3%	No
North Pole	Home Rule City	1,570	Yes	3%	No
North Slope Borough	Home Rule Borough	9,430	Yes	No	No
Northwest Arctic Borough	Home Rule Borough	7,208	No	No	No
Nuiqsut	Second Class City	433	No*	NR	NR

Note: Municipal populations are from the State Revenue Sharing Program

* Indicates that City does not levy property tax, but Borough in which City is located does

TABLE 1
2002 Municipalities: Class, Populations and Tax Types - continued

Municipality	Type of Municipality	Population	Property Tax	Sales Tax	Special Tax
Nulato	Second Class City	336	No	No	No
Nunam Iqua (Sheldon Point)	Second Class City	201	No	2%	No
Nunapituk	Second Class City	466	No	2%	No
Old Harbor	Second Class City	237	No*	NR	NR
Ouzinkie	Home Rule City	225	No*	3%	No
Palmer	First Class City	4,533	Yes	3%	No
Pelican	Home Rule City	163	Yes	4%	10% Bed Tax
Petersburg	Second Class City	3,224	Yes	6%	4% Bed Tax
Pilot Point	Second Class City	100	No	NR	NR
Pilot Station	Second Class City	550	No	4%	No
Platinum	Second Class City	41	No	No	No
Point Hope	Second Class City	757	No*	No	No
Fort Alexander	Second Class City	81	No	4%	6% Bed Tax
Port Heiden	Second Class City	119	No	No	No
Port Lions	Second Class City	256	No*	No	5% Bed Tax
Quinhagak	Second Class City	580	No	3%	No
Ruby	Second Class City	188	No	No	No
Russian Mission	Second Class City	296	No	No	No
St. George	First Class City	152	No	NR	NR
St. Mary's	Second Class City	500	No	3%	No
St. Michael	Second Class City	368	No	4%	No
Saint Paul	First Class City	532	No	3%	3% Raw Fish Tax
Sand Point	Second Class City	952	No	3%	7% Bed Tax/2% Raw Fish Tax
Savoonga	Second Class City	643	No	NR	NR
Saxman	Second Class City	431	No*	NR	NR
Scammon Bay	Second Class City	465	No	2%	No
Selawik	First Class City	772	No	NR	NR
Seldovia	Home Rule City	286	Yes	2%/4.5%	No
Seward	Second Class City	2,830	Yes	3%	4% Bed Tax
Shageluk	Second Class City	129	No	No	No
Shaktolik	Second Class City	230	No	NR	NR
Shishmaref	Second Class City	562	No	2%	No
Shungnak	Second Class City	256	No	2%	No
Sitka, City & Borough of	Unified Home Rule	8,835	Yes	5%	6% Bed Tax/ \$.02/gal Fuel Tax
Skagway	First Class City	862	Yes	4%	8% Bed Tax
Soldotna	First Class City	3,759	Yes	3%	No
Stebbins	Second Class City	547	No	3%	No
Tanana	First Class City	308	No	2%	No
Teller	Second Class City	268	No	3%	No
Tenakee Springs	Second Class City	104	No	1%	6% Bed Tax
Thorne Bay	Second Class City	557	No	3%	No
Togiak	Second Class City	809	No	2%	No
Toksook Bay	Second Class City	532	No	2%	No
Unalakleet	Second Class City	747	No	NR	NR
Unalaska	First Class City	4,283	Yes	3%	2% Raw Fish Tax/ 5% Bed Tax
Upper Kalskag	Second Class City	230	No	No	No
Valdez	Home Rule City	4,336	Yes	No	6% Bed Tax
Wainwright	Second Class City	546	No*	No	No
Wales	Second Class City	152	No	NR	NR
Wasilla	First Class City	5,469	Yes	2%	No
White Mountain	Second Class City	203	No	1%	No
Whittier	Second Class City	182	Yes	3%	Fish Tax/Passenger Trans. Tax
Wrangell	Home Rule City	2,308	Yes	7%	\$4 per night Bed Tax
Yakutat, City & Borough of	Home Rule Borough	808	Yes	4%	1% Raw Fish Tax/4% Bed & Car Rental Tax

Note: Municipal populations are from the State Revenue Sharing Program

*Indicates that City does not levy property tax, but Borough in which City is located does

89 Municipalities (reporting) levy a General Sales Tax - Rates range from 1% to 7%

107 Municipalities (reporting) levy either a General Sales Tax, Special Tax (bed tax, fish tax, etc.) or a combination of the two

39 Municipalities (cities & boroughs) levy a property tax

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COMMUNITY	PROPERTY TAX	SALES TAX	SPECIAL TAXES
Adak	None	3%	\$.02/gallon Fuel Transfer Tax
Afognak	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Akhiok	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Akiachak	N/A	No taxing authority	N/A
Akiak	None	None	None
Akutan	None	None	1% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
Alakanuk	None	4%	None
Alatna	N/A	No taxing authority	N/A
Alcan Border	N/A	No taxing authority	N/A
Aleknagik	None	5%	5% Accommodations Tax
Aleneva	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Aleutians East Borough	None	None	2% Raw Fish Tax
Allakaket	None	None	None
Alpine	18.5 mills (Borough)	None	None
Ambler	None	3%	None
Anaktuvuk Pass	18.5 mills (Borough)	None	None
Anchor Point	6.5 mills (Borough)	2% (Borough)	None
Anchorage	16.37 mills (avg. of 44 service areas)	None	8% Bed; 8% Rental Car; 15% Tobacco
Anderson	None	None	8% Utility Tax (City); 7% Accommodation Tax (Borough); Severance \$.05/Yard (Borough)
Andreafsky	None (St. Mary's)	3% (St. Mary's)	None (St. Mary's)

Angoon	None	3%	3% Accommodations Tax
Aniak	None	2%	None
Anvik	None	None	None
Arctic Village	N/A	No taxing authority	N/A
Atka	None	None	2% Raw Fish Tax; 10% Accommodations Tax
Atmautluak	N/A	No taxing authority	N/A
Atkasuk	18.5 mills (Borough)	None	None
Attu Station	N/A	No taxing authority	N/A
Barrow	18.5 mills (Borough)	None	None
Bear Creek	6.5 mills (Borough)	2% (Borough)	None
Beaver	N/A	No taxing authority	N/A
Belkofski	None	None	2% Raw Fish Tax (Borough)
Beluga	6.5 mills (Borough)	2% (Borough)	None
Bethel	None	5%	5% Alcohol Tax; 3% Hotel/B&B Tax; 6% Gaming Tax; Fuel Tax; Vehicle Registration Tax
Bettles	None	None	\$.02/Gallon Fuel Transfer Tax
Big Delta	N/A	No taxing authority	N/A
Big Lake	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Bill Moore's Slough	N/A	No taxing authority	N/A
Birch Creek	N/A	No taxing authority	N/A
Brevig Mission	None	3%	None
Bristol Bay Borough	13.0 mills	None	3% Raw Fish Tax; 10% Accommodations Tax May-Oct.
Buckland	None	2%	None
Buffalo Soapstone	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Butte	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Cantwell	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard (all Borough)
Central	N/A	No taxing authority	N/A
		No taxing authority	

Chalkyitsik	N/A	authority	N/A
Chase			
Chefornak	None	2%	None
Cheneg Bay	N/A	No taxing authority	N/A
Chevak	None	3%	None
Chickaloon	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Chicken	N/A	No taxing authority	N/A
Chignik	None	None	1% Salmon/2% Other Seafood Landing Tax (City); 2% Raw Fish Tax (Borough)
Chignik Lagoon	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Chignik Lake	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Chiniak	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Chisana	N/A	No taxing authority	N/A
Chistochina	N/A	No taxing authority	N/A
Chitina	N/A	No taxing authority	N/A
Chuathbaluk	None	None	None
Chuloonawick	N/A	No taxing authority	N/A
Circle	N/A	No taxing authority	N/A
Central	N/A	No taxing authority	N/A
Clam Gulch	6.5 mills (Borough)	2% (Borough)	None
Clark's Point	None	5%	None
Coffman Cove	None	None	None
Cohoe	6.5 mills (Borough)	2% (Borough)	None
Cold Bay	None	None	\$.04/gallon Fuel Transfer Tax; 10% Accommodations Tax; 2% Raw Fish Tax (Borough)
Coldfoot	N/A	No taxing authority	N/A
College	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
	6.5 mills		

Cooper Landing	(Borough)	2% (Borough)	None
Copper Center	N/A	No taxing authority	N/A
Copperville	N/A	No taxing authority	N/A
Cordova	12.5 to 13.5 mills	6%	6% Accommodations Tax; 6% Car Rental Tax
Council	N/A	No taxing authority	N/A
Covenant Life	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Craig	6.0 mills	5%	6% Liquor Tax
Crooked Creek	N/A	No taxing authority	N/A
Crown Point	6.5 mills (Borough)	2% (Borough)	None
Cube Cove	N/A	No taxing authority	N/A
Prudhoe Bay	18.5 mills (Borough)	None	None
Deering	None	3%	None
Delta Junction	None	None	None
Deltana	N/A	No taxing authority	N/A
Denali Borough	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard
Diamond Ridge	6.5 mills (Borough)	2% (Borough)	None
Dillingham	11.0 mills	6%	10% Liquor Tax; 6% Gaming Tax; 10% Accommodations Tax
Diomedes	None	3%	None
Dot Lake	N/A	No taxing authority	N/A
Dot Lake Village	N/A	No taxing authority	N/A
Douglas	11.47 mills (Borough)	5%	7% Accommodations Tax; 3% Liquor Tax; 6% Tobacco Tax (all Borough)
Dry Creek	N/A	No taxing authority	N/A
Unalaska	11.78 mills	3%	5% Accommodations Tax; 2% Raw Fish Tax
Eagle	None	None	None
Eagle River-Chugiak	17.17 mills (Borough)	None	8% Bed; 8% Rental Car; 15% Tobacco (all Borough)
Eagle Village	N/A	No taxing authority	N/A
Edna Bay	N/A	No taxing authority	N/A

Eek	None	2%	None
Egegik	None	None	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough); 6% Accommodations Tax (Borough)
Eielson AFB	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Eklutna	17.17 mills (Borough)	None	8% Bed; 8% Rental Car; 15% Tobacco (all Borough)
Ekuk	N/A	No taxing authority	N/A
Ekwok	None	None	None
Elfin Cove	N/A	No taxing authority	N/A
Elim	None	2%	None
Emmonak	None	3%	Raw Fish Tax
Ester	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Evansville	N/A	No taxing authority	N/A
Excursion Inlet	6.56 mills (Borough)	1.5% (Borough)	None
Eyak	13.25 mills (Cordova)	None (Cordova)	None (Cordova)
Fairbanks	6.511 mills (City); 15.403 mills (Borough)	None	10% Liquor (5% City/5% Borough); 8% Tobacco (City); 8% Accommodations (Borough)
Fairbanks North Star Borough	15.403 mills (not including 122 service areas)	None	8% Accommodations Tax; 5% Liquor Tax
False Pass	None	2%	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
Farm Loop	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Ferry	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard (all Borough)
Fishhook	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Flat	N/A	No taxing authority	N/A
Fort Greely	N/A	No taxing authority	N/A
Fort Yukon	None	3%	None
Four Mile Road	N/A	No taxing authority	N/A
Fox	15.403 mills	None	8% Accommodations Tax (Borough); 5% Liquor Tax

	(Borough)		(Borough)
Fox River	6.5 mills (Borough)	2% (Borough)	None
Fritz Creek	6.5 mills (Borough)	2% (Borough)	None
Funny River	6.5 mills (Borough)	2% (Borough)	None
Gakona	N/A	No taxing authority	N/A
Galena	None	3%	None
Gambell	None	3%	None
Game Creek	N/A	No taxing authority	N/A
Gateway	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Georgetown	N/A	No taxing authority	N/A
Girdwood	17.17 mills (Borough)	None	8% Bed; 8% Rental Car; 15% Tobacco (all Borough)
Glacier View	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Glennallen	N/A	No taxing authority	N/A
Golovin	None	None	None
Goodnews Bay	None	None	None
Grayling	None	None	None
Gulkana	N/A	No taxing authority	N/A
Gustavus	N/A	No taxing authority	N/A
Haines	12.08 mills (Borough)	5.5% (Borough)	4% Bed Tax (Borough)
Haines Borough	6.56 mills (12.08 mills in Haines)	1.5% (5.5% in Haines)	4% Bed Tax
Halibut Cove	6.5 mills (Borough)	2% (Borough)	None
Hamilton	N/A	No taxing authority	N/A
Happy Valley	6.5 mills (Borough)	2% (Borough)	None
Harding-Birch Lakes	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Healy	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard (all Borough)
Healy Lake	N/A	No taxing authority	N/A
Hobart Bay	N/A	No taxing authority	N/A

Hollis	N/A	No taxing authority	N/A
Holy Cross	None	None	None
Homer	5.0 mills (City); 6.5 mills (Borough)	3.5% (City); 2% (Borough)	None
Hoonah	None	5%	None
Hooper Bay	None	4%	None
Hope	6.5 mills (Borough)	2% (Borough)	None
Houston	2.557 mills (City); 11.483 mills (Borough)	2%	5% Accommodations Tax (Borough)
Hughes	None	None	None
Huslia	None	None	None
Hydaburg	None	4%	None
Hyder	N/A	No taxing authority	N/A
Igiugig	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Iliamna	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Ivanof Bay	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Jakolof Bay	6.5 mills (Borough)	2% (Borough)	None
Juneau	11.47 mills (3 service areas)	5%	7% Bed; 3% Liquor; 6% Tobacco; \$5/Marine Passenger
Kachemak	1.0 mill (City); 6.5 mills (Borough)	2% (Borough)	None
Kaguyak	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Kake	None	5%	None
Kaktovik	18.5 mills (Borough)	None	None
Kalifornsky	6.5 mills (Borough)	2% (Borough)	None
Kaltag	None	None	None
Kanatak	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Karluk	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Kasaan	None	None	None

Kasigluk	N/A	No taxing authority	N/A
Kasilof	6.5 mills (Borough)	2% (Borough)	None
Kenai	5.0 mills (City); 7.5 mills (Borough)	3% (City); 2% (Borough)	None
Kenai Peninsula Borough	6.5 mills (15 service areas)	2%	None
Kenny Lake	N/A	No taxing authority	N/A
Ketchikan	5.35 mills (City); 8.0 mills (Borough)	3.5% (City); 2% (Borough)	6% Accommodations Tax (City/Borough)
Ketchikan Gateway Borough	8.0 mills (10 service areas)	2%	4% Accommodations Tax
Kiana	None	2%	None
King Cove	None	3%	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
King Island	N/A	No taxing authority	N/A
King Salmon	13.0 mills (Borough)	None	3% Raw Fish Tax; 10% Accommodations Tax May-Oct. (all Borough)
Kipnuk	N/A	No taxing authority	N/A
Kivalina	None	2%	None
Klawock	None	5.5%	None
Klukwan	N/A	No taxing authority	N/A
Knik-Fairview	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Knik River	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Kobuk	None	None	None
Kodiak	2.0 mills (City); 9.25 mills (Borough)	6% (max. \$30 per transaction)	5% Accommodations Tax (City/Borough)
Kodiak Island Borough	9.25 mills (8 service areas)	None	5% Accommodations Tax; 0.925% Severance Tax
Kodiak Station	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Kokhanok	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Koliganek	N/A	No taxing authority	N/A
Kongiganak	N/A	No taxing authority	N/A

Kotlik	None	3%	None
Kotzebue	None	6%	6% Accommodations Tax; 6% Liquor Tax
Koyuk	None	2%	None
Koyukuk	None	None	None
Kupreanof	None	None	None
Kwethluk	None	5%	None
Kwigillingok	N/A	No taxing authority	N/A
Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax
Lake Louise	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Lake Minchumina	N/A	No taxing authority	N/A
Lakes	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Larsen Bay	9.25 mills (Borough)	3%	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Lazy Mountain	11.483 mills (Borough)	None	5% Accommodation Tax (Borough)
Levelock	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Lime Village	N/A	No taxing authority	N/A
Livengood	N/A	No taxing authority	N/A
Lowell Point	6.5 mills (Borough)	2% (Borough)	None
Lower Kalskag	None	None	None
Lutak	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Manley Hot Springs	N/A	No taxing authority	N/A
Manokotak	None	2%	None
Marshall	None	4%	None
Mary's Igloo	N/A	No taxing authority	N/A
Matanuska-Susitna Borough	11.483 mills (27 service areas)	None	5% Accommodations Tax
McCarthy	N/A	No taxing authority	N/A
McGrath	None	None	10% Accommodations Tax
McKinley Park	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard (all Borough)

Meadow Lakes	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Mekoryuk	None	2%	None
Mendeltna	N/A	No taxing authority	N/A
Mentasta Lake	N/A	No taxing authority	N/A
Metlakatla	N/A	No taxing authority	N/A
Meyers Chuck	N/A	No taxing authority	N/A
Miller Landing	6.5 mills (Borough)	2% (Borough)	None
Minto	N/A	No taxing authority	N/A
Moose Creek	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Moose Pass	6.5 mills (Borough)	2% (Borough)	None
Mosquito Lake	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Mountain Village	None	3%	None
Mud Bay	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Naknek	13.0 mills (Borough)	None	3% Raw Fish Tax; 10% Accommodations Tax May- Oct. (all Borough)
Nanwalek	6.5 mills (Borough)	2% (Borough)	None
Napaimute	N/A	No taxing authority	N/A
Napakiaik	None	3%	None
Napaskiak	None	None	None
Naukati Bay	N/A	No taxing authority	N/A
Nelchina	N/A	No taxing authority	N/A
Nelson Lagoon	None	None	2% Raw Fish Tax (Borough)
Nenana	12.0 mills	4%	None
New Allakaket	N/A	No taxing authority	N/A
New Stuyahok	None	None	None
Newhalen	None	2%	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Newtok	N/A	No taxing authority	N/A
Nightmute	None	2%	None

Nikiski	6.5 mills (Borough)	2% (Borough)	None
Nikolaevsk	6.5 mills (Borough)	2% (Borough)	None
Nikolai	None	None	None
Nikolski	N/A	No taxing authority	N/A
Ninilchik	6.5 mills (Borough)	2% (Borough)	None
Noatak	None	None	None
Nome	13.0 mills	5%	4% Accommodations Tax
Nondalton	None	3%	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Noorvik	None	3%	None
North Pole	3.0 mills (City); 15.403 mills (Borough)	3%	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
North Slope Borough	18.5 mills (areawide)	None	None
Northway	N/A	No taxing authority	N/A
Northway Junction	N/A	No taxing authority	N/A
Northway Village	N/A	No taxing authority	N/A
Northwest Arctic Borough	None	None	None
Nuiqsut	18.5 mills (Borough)	None	None
Nulato	None	None	None
Nunam Iqua	None	2%	None
Nunapitchuk	None	3%	None
Ohogamiut	N/A	No taxing authority	N/A
Old Harbor	9.25 mills (Borough)	3%	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Oscarville	N/A	No taxing authority	N/A
Ouzinkie	9.25 mills (Borough)	3%	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Paimiut	N/A	No taxing authority	N/A
Palmer	2.557 mills (City); 11.483 mills (Borough)	3%	5% Accommodations Tax (Borough)
Pauloff Harbor	None	None	2% Raw Fish Tax (Borough)
		No taxing	

Paxson	N/A	authority	N/A
Pedro Bay	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Pelican	6.0 mills	4%	10% Accommodations Tax
Perryville	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Petersburg	10.17 mills	6%	4% Accommodations Tax
Petersville	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Pilot Point	None	None	3% Raw Fish Tax (City); 2% Raw Fish Tax (Borough); 6% Accommodations Tax (Borough)
Pilot Station	None	4%	None
Pitka's Point	N/A	No taxing authority	N/A
Platinum	None	None	None
Pleasant Valley	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Point Baker	N/A	No taxing authority	N/A
Point Hope	10.5 mills (Borough)	None	None
Poir-t Lay	18.5 mills (Borough)	None	None
Point MacKenzie	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Pope-Vannoy Landing	None	None	None
Port Alexander	None	4%	6% Accommodations Tax
Port Alsworth	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Port Clarence	N/A	No taxing authority	N/A
Port Graham	6.5 mills (Borough)	2% (Borough)	None
Port Heiden	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Port Lions	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Port Protection	N/A	No taxing authority	N/A
Port William	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)

Portage Creek	N/A	No taxing authority	N/A
Primrose	6.5 mills (Borough)	2% (Borough)	None
Prudhoe Bay	18.5 mills (Borough)	None	None
Quinhagak	None	3%	None
Rampart	N/A	No taxing authority	N/A
Red Devil	N/A	No taxing authority	N/A
Red Dog Mine	None	None	None
Ridgeway	6.5 mills (Borough)	2% (Borough)	None
Ruby	None	None	None
Russian Mission	None	None	None
Saint George	None	None	3% Fish & Marine Products Tax; \$.03/gallon Fuel Transfer Tax
Saint Mary's	None	3%	None
Saint Michael	None	4%	None
Saint Paul	None	3%	None
Salamatof	6.5 mills (Borough)	2% (Borough)	None
Salcha	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Sand Point	None	3%	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
Savoonga	None	3%	None
Saxman	6.8 mills (Borough)	3.5% (City); 2% (Borough)	4% Accommodations Tax (Borough)
Scammon Bay	None	2%	None
Selawik	None	3%	None
Seldovia	7.35 mills (City); 6.5 mills (Borough)	2%-4.5% (City); 2% (Borough)	None
Seldovia Village	6.25 mills (Borough)	2% (Borough)	None
Seward	3.22 mills (City); 6.5 mills (Borough)	4% (City); 2% (Borough)	4% Accommodations Tax
Shageluk	None	None	None
Shaktolik	None	2%	None
Nunam Iqua	None	2%	None
Shemya Station	N/A	No taxing authority	N/A
Shishmaref	None	2%	None

Shungnak	None	2%	None
Silver Springs	N/A	No taxing authority	N/A
Sitka	6.0 mills	5% Oct-March; 6% Apr-Sept	6% Accommodations Tax; 2 cents/gal. Fuel Tax
Skagway	8.27 mills	4%	8% Accommodations Tax
Skwentna	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Slana	N/A	No taxing authority	N/A
Sleetmute	N/A	No taxing authority	N/A
Soldotna	4.75 mills (City); 6.5 mills (Borough)	3% (City); 2% (Borough)	None
Solomon	N/A	No taxing authority	N/A
South Naknek	13.0 mills (Borough)	None	3% Raw Fish Tax; 10% Accommodations Tax May-Oct. (all Borough)
Stebbins	None	3%	None
Sterling	6.5 mills (Borough)	2% (Borough)	None
Stevens Village	N/A	No taxing authority	N/A
Stony River	N/A	No taxing authority	N/A
Sunrise	6.5 mills (Borough)	2% (Borough)	None
Susitna	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Sutton-Alpine	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Takotna	N/A	No taxing authority	N/A
Talkeetna	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Tanacross	N/A	No taxing authority	N/A
Tanaina	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Tanana	None	2%	None
Tatitlek	N/A	No taxing authority	N/A
Tazlina	N/A	No taxing authority	N/A
Telida	N/A	No taxing authority	N/A
Teller	None	3%	None
Tenakee Springs	None	1%	6% Accommodations Tax

Tetlin	N/A	No taxing authority	N/A
Thom's Place	N/A	No taxing authority	N/A
Thorne Bay	None	5%	None
Togiak	None	2%	2% Raw Fish Tax
Tok	N/A	No taxing authority	N/A
Toksook Bay	None	2%	None
Tolsona	N/A	No taxing authority	N/A
Tonsina	N/A	No taxing authority	N/A
Trapper Creek	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Tuluksak	N/A	No taxing authority	N/A
Tuntutuliak	N/A	No taxing authority	N/A
Tununak	N/A	No taxing authority	N/A
Twin Hills	N/A	No taxing authority	N/A
Two Rivers	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Tyonek	6.5 mills (Borough)	2% (Borough)	None
Uganik			
Ugashik	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Umkumiute	N/A	No taxing authority	N/A
Unalakleet	None	5%	5% Accommodations Tax; Alcohol Tax
Unalaska	11.78 mills	3%	5% Accommodations Tax; 2% Raw Fish Tax
Unga	None	None	2% Raw Fish Tax (Borough)
Upper Kalskag	None	None	None
Valdez	20.0 mills	None	6% Accommodations Tax
Venetie	N/A	No taxing authority	N/A
Wainwright	18.5 mills (Borough)	3%	None
Wales	None	2%	None
Wasilla	0.5 mills (City); 11.483 mills (Borough)	2.5%	5% Accommodations Tax (Borough)

Whale Pass	N/A	No taxing authority	N/A
White Mountain	None	1%	None
Whitstone Logging Camp	N/A	No taxing authority	N/A
Whittier	5.0 mills	3% April - Sept.	None
Willow	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Willow Creek	N/A	No taxing authority	N/A
Wiseman	N/A	No taxing authority	N/A
Woody Island	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Womens Bay	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Wrangell	12.0 mills	7%	\$4/Night Accommodations Tax
Y	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Yakutat	9.0 mills	4%	1% Salmon; 8% Bed; 8% Car Rental

A MS Excel version of this table has been e-mailed to:
phelan_straube@legis.state.ak.us.
 If this is not the correct spelling for your e-mail address,
 please click your browser's back button, make corrections,
 and re-submit.

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PUBLIC
TESTIMONY

Mr. Cremo's
Presentation
3/17/04

Presentation to Senate Finance Committee on CSSJR 18

~~(3/15/04)~~
(3/17/04)

You're considering the POMV method of takeout for the Permanent Fund. Before you decide whether it's any good, take a hard look at the constitutional provision you would be putting it into. And, by the way, I prefer the POMV method to the one we've got now.

Unlike a statute, which is relatively transitory, a constitutional provision can be on the books forever. It should be near perfect – a product of sound analysis, wise decision and excellent drafting. But the track record of our constitutional amendments, in the fiscal area, isn't very good.

Besides Section 15, there have been two amendments of Article 9 since it was written in 1955. Section 16, which limits appropriations, ignored the first rule of organization – that authority must be commensurate with duty. Your duty is to do that which in your judgment will promote the welfare of the people of this state. The amendment to Section 16 limits your ability to discharge that duty. Fortunately, the provision is otherwise so flawed that it has never come into play.

The other amendment, Section 17, established the Budget Reserve Fund, which has facilitated, if not promoted, deficit spending in most of the years since 1990. And, its voting requirements have resulted in end-of-session arrangements that, over the years, have added hundreds of millions of dollars to that deficit spending.

That leaves Section 15, which established an endowment – the Alaska Permanent Fund. Typical of documents that create endowments, the section has three components. One determines what money goes into the fund. Another deals with the investment of the money. And the third determines how much money is to be taken out for spending.

Twenty-five percent of royalties is supposed to go into the fund. But Section 15 doesn't nail down that requirement. It can be circumvented by agreeing to the reduction of royalties while increasing the production tax. That can, over a period, divert billions of dollars to the General Fund. Of

course, such a tactic wouldn't even be considered unless fiscal pressures were compelling.

The only thing that Section 15 requires with respect to investment is that the fund's principal "can be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments". That means stocks that regularly pay dividends and, of course, bonds. But the Alaska Permanent Fund Corporation probably has invested billions in stocks that don't regularly pay dividends.

This is not to say that the Permanent Fund Corporation doesn't do a good job investing. It has ably managed the state's capital. But it has been forced to liberally construe an inadequate constitutional provision.

Incidentally, the 'income-producing' requirement expressly applies to principal. Section 15 is silent with respect to the investment of accumulated income.

Another thing. Section 15 lacks a prohibition against investment in the obligations, properties and enterprises of the state. How could the Permanent Fund Corporation resist a request from a fiscally strapped legislature and governor that the fund buy and lease back a government building or buy state bonds that brought no bids from investment bankers?

The greatest fault, however, of Section 15 is that it doesn't require that all of the oil money go into the Permanent Fund.

Endowments have two main purposes. One is to perpetuate the flow of money to an operating entity, such as a university, a foundation or a government. The other is to stabilize the flow of money to the operating entity.

The Alaska Permanent Fund provides a good example of an endowment with the first-mentioned purpose – perpetuation. Revenue from the fund's investments continues to flow after the natural resource is exhausted.

A university's endowment provides an example of an endowment with the other purpose – stabilization of income. Wealthy alumni die and leave large amounts of money to the university. The flow of that money to the university is irregular. It could be more than a million dollars a year for a

period of several years. Then, for another period, it could fall off to much less than that. If that money were treated as income, the fluctuations wouldn't be easy to manage.

In the case of the state, the oil revenue is extremely volatile. Yet the state isn't using its endowment to stabilize that revenue. Only 15-20% of the oil money goes to the Permanent Fund. With the rest going into the General Fund, the state has been fiscally unstable for many years.

But the state can stabilize the flow of that oil money by routing it through the Permanent Fund. Income produced by investment would be much more sustainable than the oil money itself.

There is a proposed constitutional amendment, not on your plate, that would put all of the oil money into the Permanent Fund and cure the other defects of Section 15 as well. It would provide you with a new and simple system for funding the government.

The revenue from the fund, supplemented with revenue from conventional sources in whatever amount you consider adequate, would go into the General Fund. It would fund government in an orderly fashion.

The constitutional provision wouldn't dictate to you how the revenue is to be spent. You would allocate it to all governmental services, including the one we call dividends, according to the priority you assign to them.

At the start of a ten-year transition the rate of withdrawal for the Permanent Fund, which would use the POVM method, would be high enough to provide revenue that, when combined with conventional revenue, would fund spending at the current level. During the transition the rate would decrease gradually. At the end of transition it would be at a sustainable level.

There is also a proposed constitutional amendment, not on your plate, of Section 17 of Article 9. That section created the Budget Reserve Fund. It would transfer the bulk of the assets of that fund to the Permanent Fund. The amount retained would be used for funding actual deficits and, incidentally, meeting natural disasters. Thus, it could not be used to bridge projected fiscal gaps. And it would not be used for inter-fund 'borrowing'. Revenue anticipation financing would be available for that.

I've told you what I think is wrong with Section 15 of Article 9 of our constitution. And I've told you what I think should be done about it. But I'm not naïve enough to suggest that you do it now.

I am suggesting, however, that you refrain from making any changes in Section 15 until the time comes that it can be done right.

The people aren't in the mood to touch Section 15 except with respect to dividends. But that mood could change if you mount a massive campaign to tell them the unspun FACTS about the state's fiscal condition.

Roger Cremo

CONSTITUTION OF THE STATE OF ALASKA
(proposed amendment)

ARTICLE IX, SECTION 17 – BUDGET RESERVE FUND

- (a) The money deposited into it in accordance with (c) constitutes the Budget Reserve Fund.
- (b) Money in the fund shall be invested and reinvested, for income, in accordance with restrictions, prescribed by law, that emphasize the liquidity and preservation of the fund's assets. No investment shall be made in obligations, properties and enterprises of the state.
- (c) The amount by which money actually available for appropriation in a fiscal year exceeds, or is less than, the amount appropriated for that year shall, correspondingly, be deposited into or withdrawn from the fund.
- (d) Money in any amount may be appropriated directly from the fund for meeting natural disasters.

ARTICLE XV, SECTION 31 – BUDGET RESERVE FUND (TRANSITION)

- (a) The assets and liabilities of the Budget Reserve Fund (Article IX, Section 17) that are in excess of three hundred million dollars in value, if any, shall be transferred to the Alaska Permanent Fund (Article IX, Section 15) on the effective date of this section.
- (b) The assets of the Budget Reserve Fund prior to the effective date of the amendment of Article IX, Section 17, in 2004, except those assets transferred to the Alaska Permanent Fund in accordance with (a), are assets of the fund after the amendment.
- (c) This section shall be effective July 1, 2005.

provided by Roger Cremo

CONSTITUTION OF THE STATE OF ALASKA
(proposed amendment)

ARTICLE IX, SECTION 15 - ALASKA PERMANENT FUND

(a) The money derived by the state (A) from the disposition of minerals and land by the state or the United States and (B) from taxation of (1) production, transportation and reservation of minerals, (2) property used in exploring for, producing and transporting minerals and (3) income from production and transportation of minerals shall constitute the Alaska Permanent Fund.

(b) Money in the fund shall be invested and reinvested, for income and capital gains, in accordance with restrictions, prescribed by law, that emphasize preservation of the fund's assets. No investment shall be made in the obligations, properties and enterprises of the state.

(c) No money, or other asset, shall be removed from the fund except, in order to provide the state with revenue, a noncumulative amount of money that in a fiscal year does not exceed 4.30 percent of the average market value of the fund's net assets at the end of each of the six full calendar years immediately preceding that fiscal year. The revenue shall not be dedicated to any special purpose.

ARTICLE XV, SECTION 30 - ALASKA PERMANENT FUND (TRANSITION)

(a) The percentage prescribed in Article IX, Section 15, amended in 2004, for determining the amount of money that can be removed from the Alaska Permanent Fund, shall not apply until fiscal year 2016. The applicable percentage shall be 9.36 in fiscal year 2006 and, in each intermediate fiscal year, 0.9257 times the percentage in the immediately preceding fiscal year.

(b) The assets of the Alaska Permanent Fund prior to the effective date of the amendment of Article IX, Section 15, in 2004, are assets of the fund after the amendment.

(c) The amendment of Article IX, Section 15 in 2004 and this section shall be effective July 1, 2005.

provided by Roger Cremo

Mr. Cuddy's
Remarks
3/18/04
AM

Paying the Cost of Alaska State Government

Thank you for allowing me to come before you today.

The State of Alaska is not presently facing a fiscal crisis. Resources are presently available to pay the cost of State Government. Thanks to the higher price for oil, state royalty income is much higher than expected; and, thanks to the wisdom of the legislature in making judicious use of the Constitutional Budget Reserve, there are ample reserves in addition to royalties to pay the current expense of State Government. Add to that the income of the Permanent Fund and the State of Alaska has more than ample resources to pay for any proposed version of the next State Budget. However, that doesn't solve the current problem, which is **UNCERTAINTY**.

UNCERTAINTY NOW is surely contributing to what will become far more than a "Fiscal Gap" in the future; what will become a true crisis of major proportions, if the legislature does not do something to avoid it now. There is uncertainty now in financial markets about Alaska's future. There is uncertainty now among oil producers who contribute the bulk of State Revenue in the form of royalties. The same can be said of other resource extraction enterprises. And there's uncertainty among your constituents about the economic future of Alaska, in light of the potential for seemingly unlimited government spending.

At present the bond rating of the State of Alaska remains relatively stable. The financial markets look to the Constitutional Budget Reserve and the Permanent Fund as security for payment of the cost of State Government, including bonded indebtedness. The decision of the markets about Alaska's credit worthiness will change quickly, and for the worse, if the Budget Reserve is further depleted, or you show reluctance to resort to income from the Permanent Fund to pay part of the anticipated cost of State Government – worse yet if the State of Alaska does something permanently to make Permanent Fund income unavailable to pay part of the cost of State Government when its needed.

Deterioration of the State's bond rating will of course increase the expense of bonded indebtedness – the cost of funding State Government. What makes matters worse is that that rating will be deteriorating at the same time that interest rates generally are increasing. I can't tell you specifically how much interest rates will increase in the next few years, or precisely when they will start to go up. But everyone with any knowledge about current national economic circumstances will confirm to you that interest rates will be on the rise (they can't go any lower) and soon. If not at the conclusion of national elections, then certainly as the national trade deficit increases and the value of the dollar declines against all major currencies. The impact on the cost of funding state government will be doubly bad unless you act to bring certainty to Alaska's fiscal situation now. That includes both the source of State income for appropriation, and the cost of State Government.

Talk now of a change in the State tax laws affecting oil and gas producers in the State is causing them to rethink their strategy in Alaska. I assure you that changes in current tax laws affecting oil producers will cause them to spend their resources for oil and gas production elsewhere. All at a time when Alaska can least afford any further decline in oil and gas revenue. Drive a harder bargain in connection with future oil and gas development, if you think it prudent. That will allow the producers to plan development. Changing what is, in effect, a bargain that already exists will cause them to abandon development in Alaska. The same can be said for miners. Whether it be oil and gas or other mineral extraction, development and return on investment, involves a long-term process. One that will not go forward unless variables are reduced to a minimum. If producers cannot count on a stable tax structure for the life of an oil field, or a mine, they won't begin to develop it in the first place. By changing Alaska's current bargain with the producers, you will jeopardize prospects of further development and jeopardize revenue that will be critical to the State of Alaska in the future.

There is just as much uncertainty among your constituents. As long as there is no stated strategy for funding State government and no plan for limiting State government expenditures, there will be no potential for economic development in the State if Alaska. And as long as there is a common perception that there is no potential for economic development in the State of Alaska, the State will encounter the same cycle of booms and busts, and the same transient population that has been the constant in Alaska throughout the history of the State. There will be no economic development

or growth of business in Alaska able to sustain the anticipated increased cost of State Government as long as there is the threat of broad based taxes in an unspecified amount. And there will be an immediate demand by your constituents for distribution of all of the income of the Permanent Fund as long as there is no articulated strategy for funding State Government, and even more so, as long as there is no potential check on State Government spending.

I'm sure it occurs to you. There is no recorded success of any government fostering economic development by instituting or increasing an income tax or sales tax. And further economic development is what this state needs to establish a stable source of income to pay the cost of State Government.

out { There is no reason for temporary residents of the State of Alaska to abide a use of some of the earnings of the Permanent Fund to pay the cost of State government now, if there is no potential limit on the cost of State Government in the future. }

Just putting an end to uncertainty now about the extent and means of paying for State Government will be a valuable contribution to the State of Alaska. I warrant to you that it will reduce the cost of borrowing to pay for State government, and foster economic development in the State – certainly in connection with resource extraction. It will also create a more favorable climate for small business. And that will attract and keep industrious people in the State and encourage our children and their children to live and work here as well.

But like everyone else, I think you can do better than just bring about certainty. I have my own suggestions for a strategy. A lot of it is based on history, and thankfully I have a lot of history in this State. I know because I was here. The Permanent Fund was created so that there would be a source of revenue to pay a portion of the cost of State government, when revenues from oil production declined. No not the principal portion of the fund, the income from the fund. Likewise, I know, because I was here, that the dividend program was instituted when there was seemingly no effort whatsoever to limit government spending. Since folks thought that the only thing that could limit State government spending was a limit on available revenue for appropriation, the idea to pay a portion of the income of the Permanent Fund directly to Alaska residents was born. By that means at least, some limit on government spending could be imposed.

You can still achieve all of those objectives. By judiciously avoiding appropriation of Permanent Fund earnings and inflation proofing the Fund, you have provided a stable source of income to pay a portion of the cost of State government and pay a dividend to citizens of Alaska as well.

The Trustees and staff of the Permanent Fund have done their job as well. By judiciously investing the principal and a portion of the annual income of the fund there is now a source of State Revenue and dividends as well.

The Percent of Market Value approach to management of Permanent Fund earnings should be adopted. It has been the successful means of managing many other endowments, and there is every reason to believe that it will be an equally successful means of managing the Permanent Fund. What's even more important is that it increases the certainty of revenue available to pay a portion of the cost of State Government and a Permanent Fund dividend. We have seen the potential dramatic effect on available revenue of the current approach to management of the fund. Distributions based on realized earnings are always a function of the vagaries of the market and the notions of current investment managers. The POMV approach evens out those variables over a rolling ten-year period that lends predictability to available revenue and the degree of certainty that financial markets demand, if there is to be stability in the cost of funding state government.

How that income is divided between State Government and residents should be left to the legislature to decide. The State 's legislature should have the opportunity to determine the use of all available State income as well as state spending. The legislature can maintain that control if it adopts a plan for division of the earnings of the permanent fund and limiting State spending. An articulated plan to limit budget increases according to identifiable indexes will go a long way to quell uncertainty among dividend recipients. Assuming a POMV approach to management of the Permanent Fund, and a plan for limiting budget increases according to an index, permanent fund recipients will have some degree of certainty not only that a dividend will be paid, but also the amount of the dividend payment they can expect from time to time.

One additional benefit of bringing about a greater degree of certainty now in respect of fiscal matters is that it will give the legislature time to deal with a far greater problem that will appear in the future. That problem is the

unfunded liability for pension and welfare benefits that will be owed to State and Municipal employees in the next ten years.

In my view there is a deficit now in available resources to pay those obligations. My prediction is the liability will grow worse if the matter is left untreated. I expect there will soon be more retired government employees entitled to benefits than working government employees.

Once again I thank you for the opportunity to express my views at this time.



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

AGENDA

Thursday, March 18, 2004

9:00 – 11:00 AM

Presentation by
Mr. Neal Fried
Department of Labor

Senate Finance Committee Discussion/Action

Bills Previously Heard or Scheduled

1:30 – 4:00 PM

Continuation of Senate Finance Committee Discussion/Action,
If necessary

Bills Previously Heard or Scheduled

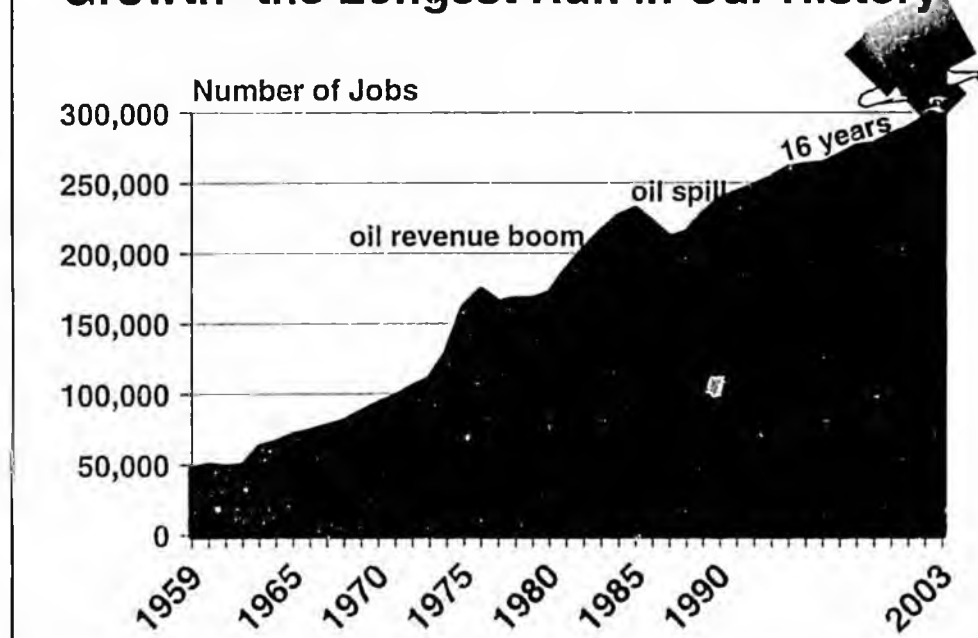
Alaskas Economy— The 1980s And Now

Senate Finance

March 18, 2004

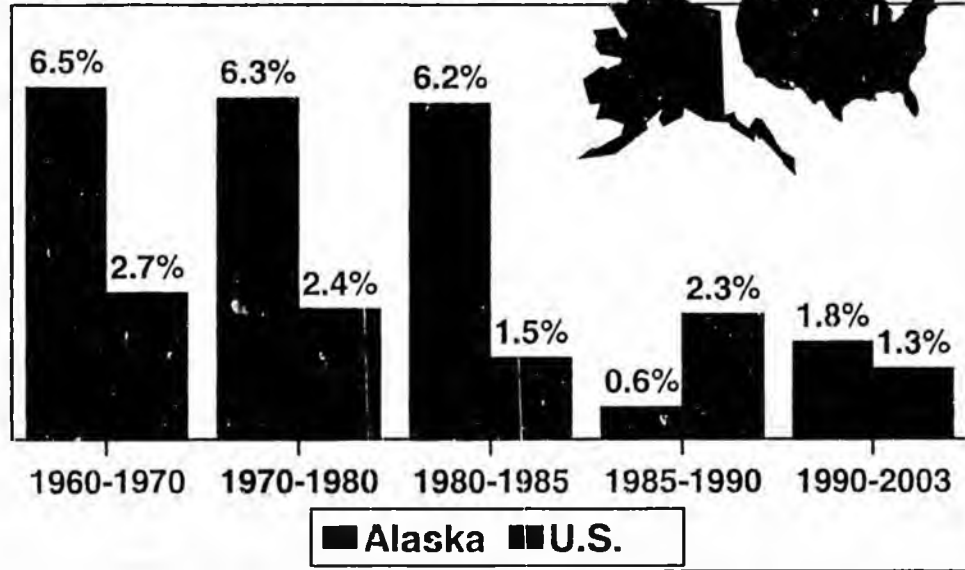
Alaska Department of Labor and Workforce Development

Alaska is in its 16th Year of Uninterrupted Growth--the Longest Run in Our History



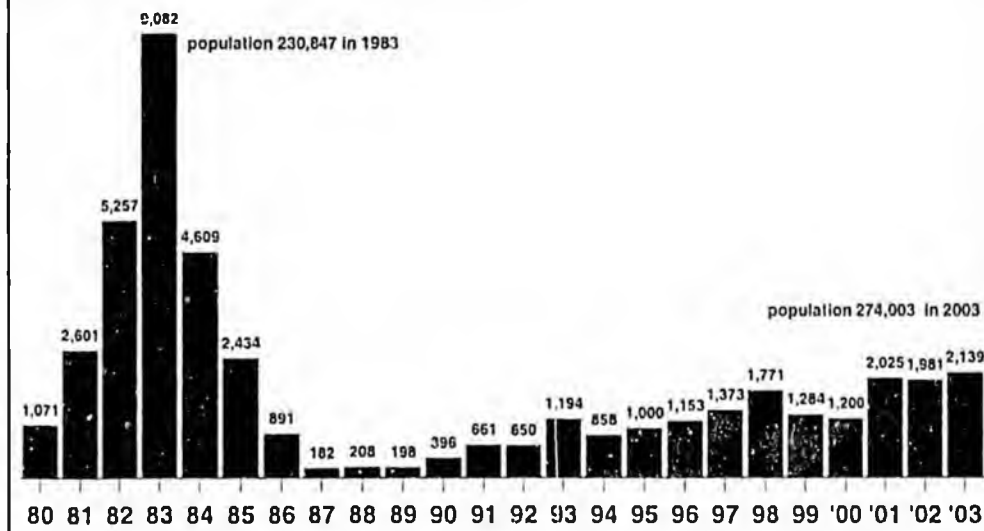
Since 1985 Alaska's Rate of Growth Has Slowed

Employment-Average Annual Growth



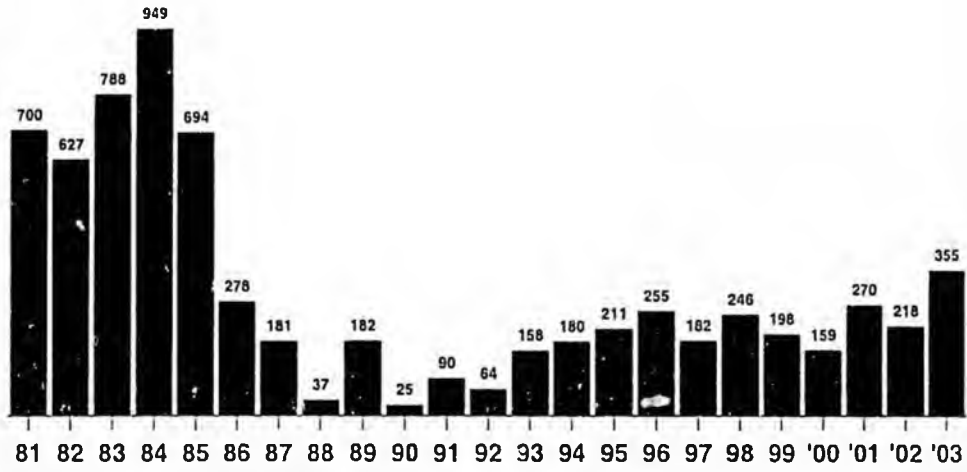
Residential Housing Activity in Anchorage

New Residential Building Permits issued

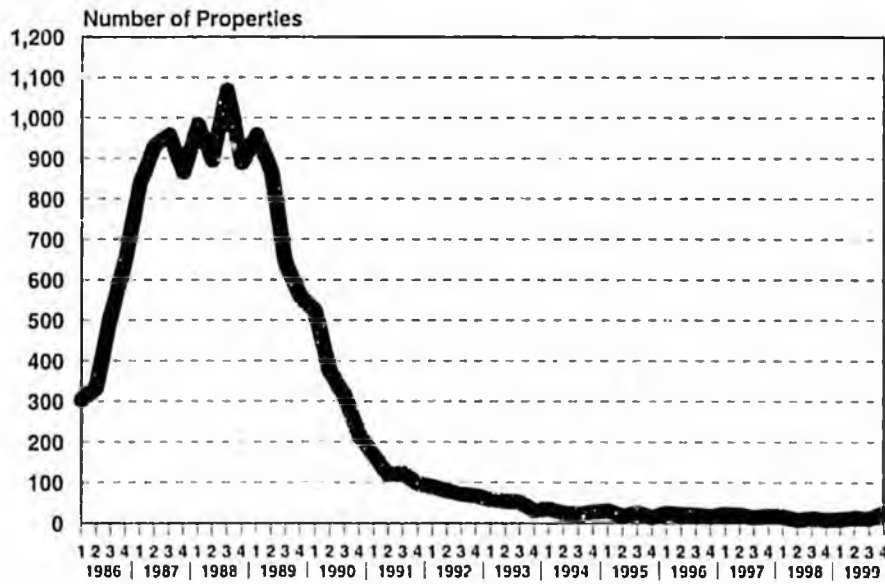


Fairbanks Does Not Look Much Different

New Residential Building Permits Issued

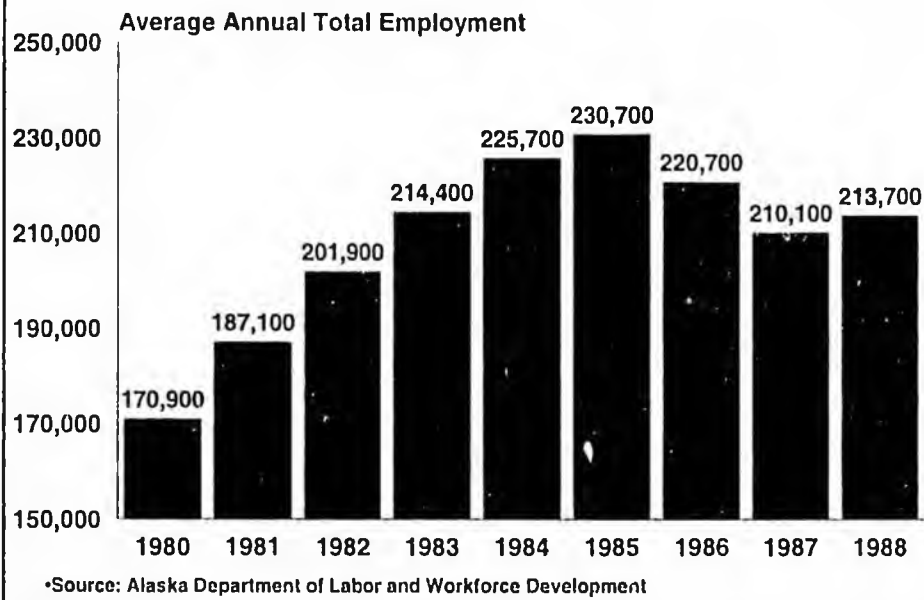


AHFC Foreclosures Statewide

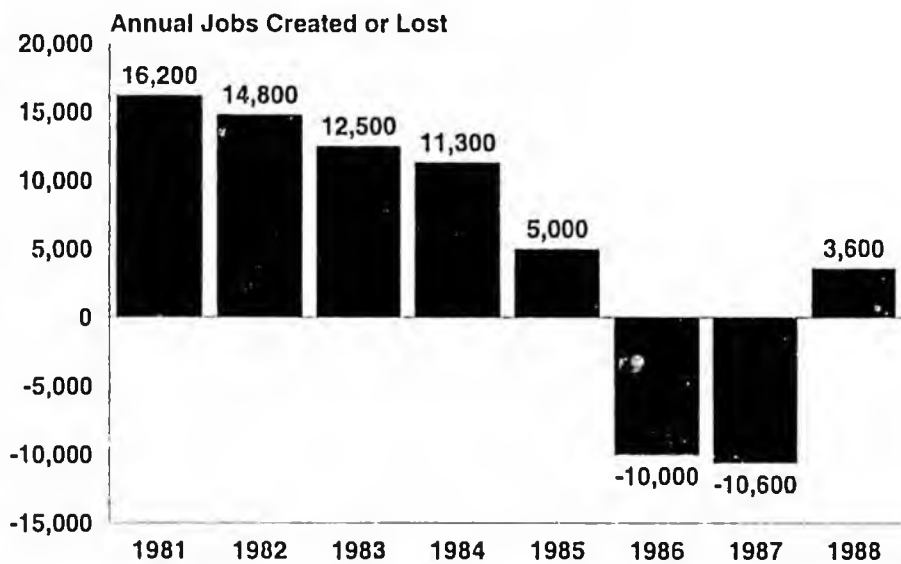


Source: Alaska Housing Finance Corp.

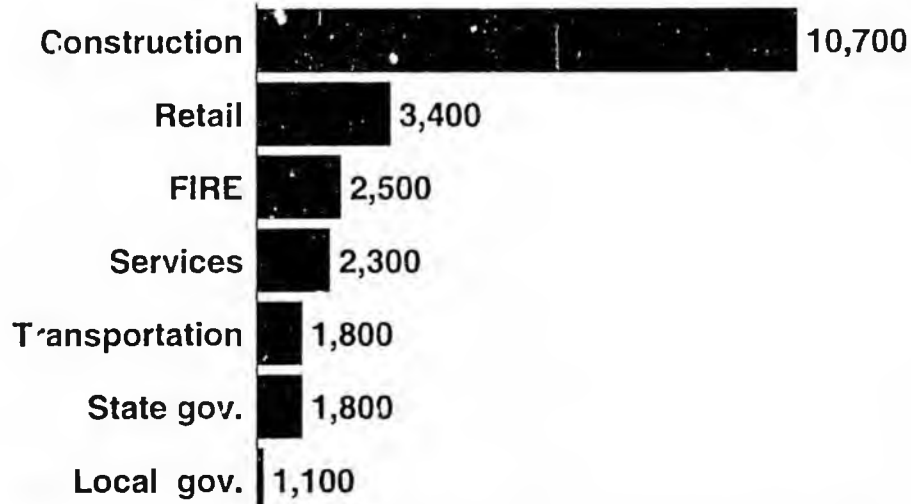
The Boom and Bust Years



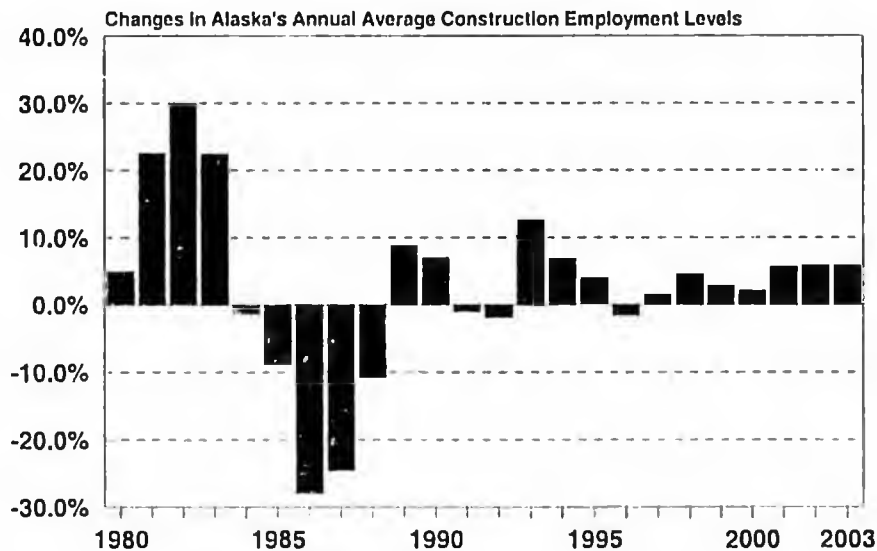
Job Gains and Losses



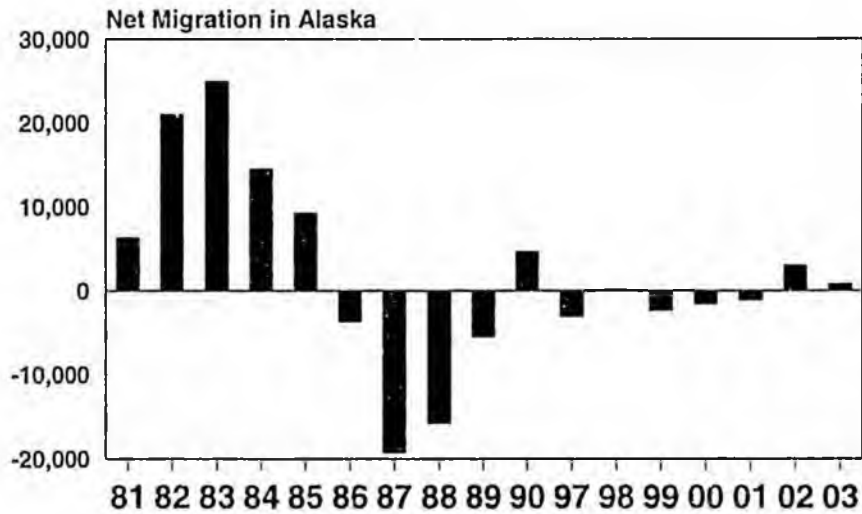
Where the Jobs Were Lost in the 1980s Crash



Constructions Growth has been Very Different During the Past Decade

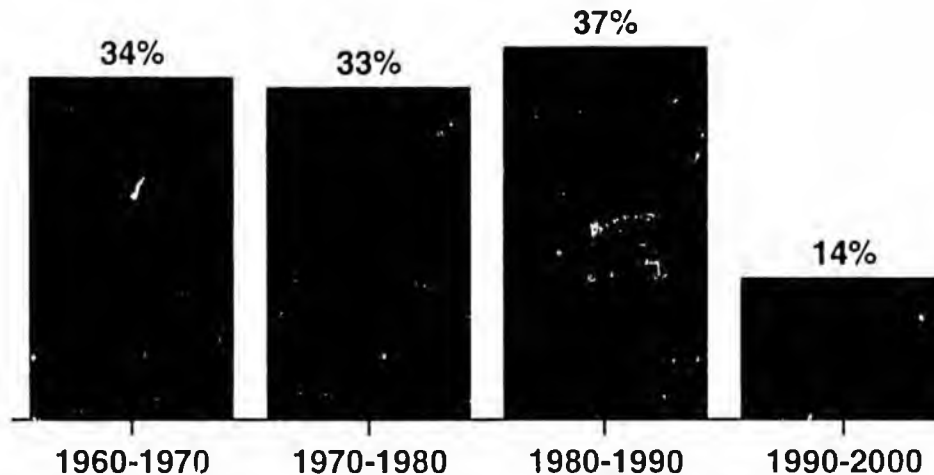


Lots of Migration In The 1980's, Much Less Over The Past Decade

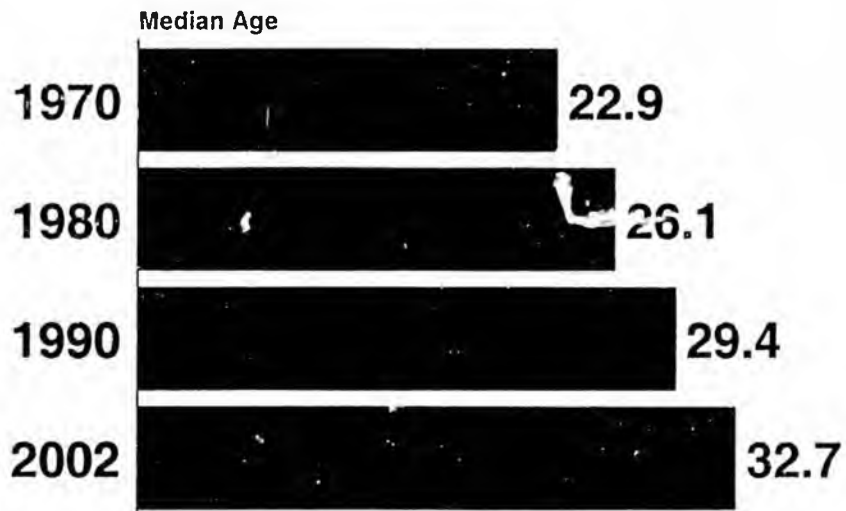


Population Growth During The Past Decade Slowed Considerably

alaska's population growth during each decennial census

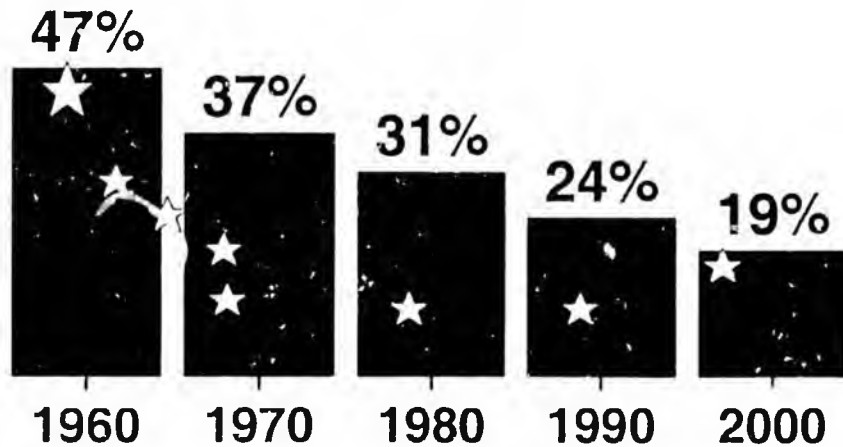


Alaskans are Getting Older



Alaska's Population has Become Much Less Footloose

Percent Cheechakoo



Discussions on the
Permanent Fund
and CBR

Public Comments

Subject: Testimony for all Finance Committee Members

Date: Thu, 18 Mar 2004 08:31:20 -0900

From: Shirley & Chuck Coulson <coulsons@gci.net>

To: Mindy_Rowland@legis.state.ak.us

Dear All,

My name is Lindsey Coulson and I am a sixth grader at Bear Valley Elementary. Please give my school district the money it needs for next year. I am concerned that when I go to Goldenview Middle School I won't have the opportunities to try new things like my brother and sister had. By taking away one elective it is like taking away a chance to learn something new and it seems by doing that the school district doesn't care about us learning new things before high school. I would be very angry if this is what will happen. I have listened to my older brother and sister talk about the really great teachers at Goldenview and I don't want them laid off from their jobs. Please take my opinion into consideration because I know this is how some of my other fellow classmates feel.

From,

Lindsey Coulson

3/17/04

To: Senate Finance Committee, of Alaska Legislature

Re: 2005 FY budget should enact revenues **first** rather than program budget slashes destructive to Alaska's senior and education communities.

From: James E. Fisher, 171 Farnsworth, Soldotna 99669
Phone: 262-9601 - fax: 262-9641

I urge enactment of revenue enhancing measures **before** cuts to vital programs such as the various senior programs¹ as currently proposed by the various committees or branches of the state's governmental structure.

Funding by broad based revenues, to solve the fiscal gap could avoid proposed cuts, and might ease discussion of critical use of permanent fund earnings. Revenue measures **other than first use** of permanent fund earning reserves should be planned and possibly executed, before any finalization of budget allocations.

Since 1995, we have heard Alaska can not grow, or cut, its way out of a fiscal gap. Yet in 2004 (for FY2005) we hear you considering: 1) slashing seniors' programs other than drug help; 2) consigning children to less health maintenance; and so on.

An unnamed theologian said "the self righteous will lead us to hell"; Alaska's analogy is that the proposed deterioration of **Alaska's financial image** as well as senior and education programs could throw us into a recession or some other kind of social hell.

(Sen-Fin.31704 testimony)

¹ For partial analysis see attached documents

Confirmation of testimony
on 3/17/04 - Thank you JEF

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C

004

**Reductions to Medicaid Waivers or Grants
Affecting seniors and adults with physical disabilities**

\$6,818.0	Reductions to plans of care (OA/APD)
\$ 790.4	Cost of living/ SB 105/ all waivers
\$7,235.0	Cost study/ reimbursement rate reductions
\$7,950.0	Reduce respite/ use adult day
\$2,900.0	Limit Administrative and General rate to 18%
\$4,905.7	Quality assurance/ Medicaid fraud
\$1,500.0	Monitoring Title III grants
\$1,000.0	Eliminate PCA and respite in assisted living
\$6,566.9	Reduce PCA
\$4,000.0	Nursing Home/ preadmission counseling
\$4,435.5	Reduce environmental modifications
\$ 200.0	Increase Title III grantees match

202-9041

Planning for longer term
DHSS

**Proposed FY05 budget
Division of Senior and Disability Services
Suggested impacts**

Note: all references in this document refer to the page numbers in the Department of Health and Social Services, FY05 Budget Overview.

Preface: one of the largest challenges facing today's health care system is managing chronic care. People with multiple chronic conditions have substantially more physician contacts and are more likely to be hospitalized each year. As the elderly age, they face an increased risk of having multiple chronic conditions. A Robert Wood Johnson study determined that, nationwide, almost all Medicare dollars and about 80 percent of Medicaid resources are spent on people with chronic conditions. Page 91 of the DHSS FY05, Budget Overview, contains a chart of Medicaid expenditures. This chart indicates that the largest Medicaid expenditures are hospital services, physician services, pharmacy, and nursing home care.

The RWJ study suggests that an effective chronic care model is organized around individuals' needs and preferences to coordinate services with the goal of maintaining health status and slowing disease progression. This model includes supportive services that are leveraged to enhance the effectiveness of medical care and to improve the quality of life for people with chronic conditions.

Many studies have shown that an effective coordinated community based service delivery system (supportive services) reduces costs across the continuum of care. In Alaska, Medicaid waivers and minimal grant funding provide the basic foundation for community care. This foundation helps to delay or prevent unnecessary nursing home placement, assists seniors in negotiating the bewildering health care system, reduces the number of contacts to physicians' offices, and can reduce hospital visits.

- An average cost for a senior under the Older Alaskan's waiver (home and community based care) is \$18,911; compared to the average nursing home cost of \$150,000 per patient per year.
- Unfortunately, the existing home and community based system for seniors is seriously under funded.
- This infrastructure will see damaging erosion if the FY05 proposed budget reductions are implemented, resulting in higher costs in the end.

The following information is a list of suggested impacts to the proposed budget reductions.

Page 160: Cost Savings from Older Alaskans/Adults with Physical Disabilities (\$2,727.2) GF match and (\$4,090.8) Fed.

- This reduction assumes that plans of care will be reduced through contracted care coordination assessment.
- This significant reduction is difficult to quantify since the Department has given no specific information about where the care plans will be reduced.

- A reduction of \$6,818 in waiver services will have a significant impact on those needing services, especially when taken in tandem with other proposed reductions.

Page 160: Second year cost-of-living adjustments for Nursing Homes and Home and Community based waivers. (\$252.9) GF match and (\$37.5) Fed.

- This savings is based on SB105 passed by the legislature last year. That bill effectively reduces the number of eligible recipients for Medicaid.
- DHSS does not indicate how many people might lose their eligibility.
- We have already experienced difficulty in qualifying people for the waiver even the need was clear and the eligibility criteria seemed applicable

Page 160: Cost Study Savings for Medicaid Waivers. (\$2,894) GF match and (\$4,341) Fed.

- This standardizes reimbursement rates for services across the four waivers.
- There is little specific information in this item; this is a projected assumption of savings based on a study that has not yet been conducted.
- We know that delivering services in rural areas cost more and that waivers are often the essential key to keeping elders in their home communities.

Page 162: Reduce Respite Utilization. (\$3,180) GF match and (\$4,770) Fed

- This reduces respite costs by using the more cost effective adult day service.
- This is an exceptionally effective cost containment strategy that also results in improved outcomes for seniors.
- This strategy, of course, only works in communities where there is an adult day program. Currently there are 12 adult day programs in 11 communities.
- Respite care under the waiver is reimbursed at \$22 an hour. If you divide the proposed \$7,950.0 reduction, that equals a reduction of 361,363 hours of respite

Page 162: Limit Administrative and General cost to 18%. (\$1,160) GFM and (\$1,740) Fed.

- We are willing to do our part to contain costs, and will try to find a way to live within the 18% cap.
- Administrative burdens continue to increase with the state looking for more accountability financially, and in the area of outcomes that require more data collection and analysis
- We would be concerned if this represents a downward trend that might continue over time.

Page 162: Eliminate respite and personal care attendant services in Assisted Living Homes. (\$400.0) GF match and (\$600.0) Fed.

- The state currently reimburses assisted living homes for services but not for room and board.
- It is very difficult for the homes to make ends meet with the current rates.

- Home operators often are the only people staffing the homes 24 hours a day. Allowing respite and PCA services in the homes gives these providers a break.

Page 162: Increase Quality Assurance Audit and Review Activities. (\$1,962.3) GF match and (\$2,943.4) Fed. This is an assumed projection of savings due to Medicaid fraud.

Page 162: Monitoring of Title III grants. (\$600.0) GF match and (\$900.0) Fed

- This reduction specifically impacts seniors who receive congregate meals, meals on wheels, transportation and other supportive services.
- DHSS is assuming that grantees are double dipping with state funds and Medicaid Waiver, but they don't know for sure or to what extent.
- Since DHSS is also reducing Medicaid Waiver expenses, this may result in higher losses to services.
- It is unclear if this is a reduction of grant money or Medicaid Waiver

Page 163: Contract for Personal Care Attendant services. (\$2,615.9) GF match and (\$3,951.0) Fed.

- When the Consumer Directed PCA program was implemented, the costs for the program surged. The state appeared to have been unable to effectively monitor the PCA plans.
- This appears to be a necessary cost containment strategy, *as long as services are based on client needs, and clients are able to get the level of service needed to remain in their homes.*

Page 163: Nursing Homes-utilize Preadmission Care Plan Counseling. (\$1,540.9) GF match and (\$2,459.1) Fed.

- This is an effective nursing home diversion strategy that is currently only available in Anchorage.

Page 169: Change match for Nutrition, Transportation, and Supportive Services grants. (\$200.0) GF.

- This effectively reduces the amount available to serve seniors by \$200.0.
- Add this reduction to the \$1,500.0 reduction for monitoring Title III grants and there will be a significant impact on foundational supports for seniors.

Subject: Testimony for Finance Committee

Date: Sat, 13 Mar 2004 16:27:46 -0800 (PST)

From: Jim r <papa42dudes@yahoo.com>

To: Mindy_Rowland@legis.state.ak.us

CC: Senator_Con_Bunde@Legis.state.ak.us

Mindy, Pls provide a copy of this msg to all members of the Senate Finance Committee.

Implement Spending Limit: OF COURSE!

Constitutional Guarantee Of Dividend: If it goes in the constitution it should state that proceeds from the Permanent Fund should first go to running the state, second to dividends, AND any year that dividends are paid the state shall not collect an income tax. If there is enough money for a dividend, then there is no need for income tax to be collected.

Allow For Some Limited Use Of Surplus Earnings Of The Fund: OF COURSE - as long as there is a tax cap/spending limit in the constitution.

Switch to POMV: YES

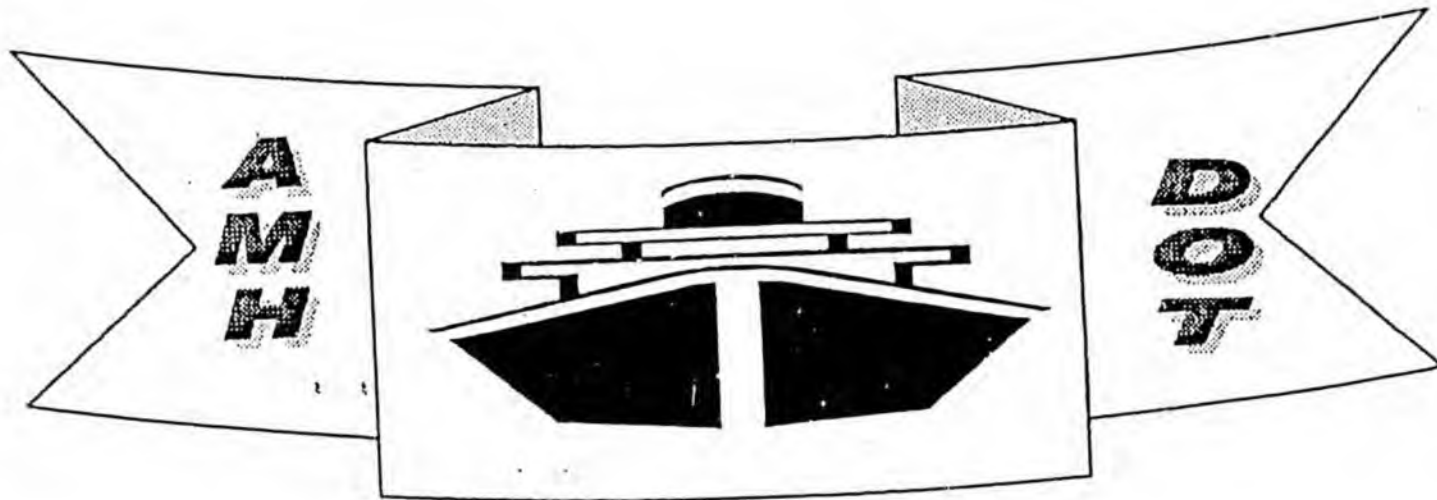
Jim Ricks, Eagle River, AK

Do you Yahoo!?

Yahoo! Mail - More reliable, more storage, less spam
<http://mail.yahoo.com>

Provided by Al Judson
31.7104

Stop the Move



Provided by Al Judson
3/17/04

Department won't disclose savings gained from relocation

3/5/04

By TIMOTHY INKLEBARGER
JUNEAU EMPIRE

Alaska Marine Highway System employees in Juneau worry they'll have to look for new jobs or move to Ketchikan as early as this summer, though no one has said just why it makes sense to relocate the ferry system's administration.

The Alaska Department of Transportation, which has conducted an internal review of moving the AMHS administrative offices since last fall, refuses to release any information on the proposal to shift some 40 employees to Ketchikan. Potential savings have not been disclosed.

Transportation Commissioner Mike Barton refused to talk to reporters after a Thursday morning meeting with marine highway employees on the proposed move.

On Monday, the Ketchikan Gateway Borough sent a proposal to DOT to move the AMHS administrators to the largely vacant Ketchikan Pulp Co. administration

building near Ward Cove.

DOT has given ferry system employees little information as to why or when the move would take place, and on Thursday Gov. Frank Murkowski said in a press conference that he supports the move.

"I think it's a substantial savings, and I think that's in the interest of the ferry system and in the interest of the state," Murkowski said.

The statement came just a few hours after Commissioner Barton told AMHS employees that the proposal was still just a proposal.

"There's no decisions made yet," Barton told a conference room full of AMHS employees. "We are still gathering information, looking at information, verifying information and assembling it. ... That's it. There's no hocus pocus going on. There's no hiding the ball. I know this is traumatic."

Talk of moving the ferry system began last September, but

Thursday was the first time Barton addressed employees' concerns.

Earlier this week a DOT spokesperson said AMHS Director Tom Briggs made a recommendation to Murkowski and Barton, but neither official will release the information.

One employee at the meeting asked Barton if the recommendation was a public document on paper.

"I don't know," Barton said. "I think so. I don't remember. ... It's an internal working document."

The administration and DOT also have refused to give employees or the media cost estimates of the proposed move.

Murkowski, however, said the state would save in administrative costs in the end.

He said his administration's support for a new capitol in Juneau should garner Juneau's support for moving AMHS

Please see MOVE, Page A10



BRIAN WALLACE / JUNEAU EMPIRE

Pondering the future: Alaska Marine Highway System marketing manager, Sharon Gaipman, listens to transportation Commissioner Mike Barton answer questions about the possible move of the ferry system office to Ketchikan

Move: Murkowski backs AMHS relocation to Ketchikan

Continued from Page A1

employees to Ketchikan.

"We support a new capitol building, so we hope Juneau will support the recognition that we can operate the ferry system better by having the operational activity centered in Ketchikan where we have the availability of the old pulp mill and all of the facilities associated with it," he said.

But officials still have given no financial justification for the move.

Murkowski also stated that other development projects such as the Juneau Access road project and the proposed Kensington mine at Berners Bay would create new jobs in Juneau.

"I think oftentimes Juneau

takes for granted the contribution of resource development because we've had such a dependence on government," Murkowski said.

He said he did not believe that the move constituted "capital creep," a euphemism for state jobs leaving the capital city for other areas of the state.

Win Gruening, chairman of the Alaska Committee, a Juneau-based organization committed to keeping the capital and state jobs in Juneau, said he would favor any plan that would save the state money.

"We're generally in favor of making government more efficient," he said, but he noted that the administration has not proven that the plan would do that.

He said the group, which met

last Wednesday, has not formally discussed the issue.

Meanwhile, AMHS employees are operating on rumors and media accounts of the proposal.

"I'm hearing all kinds of rumors," said AMHS General Manager Capt. George Capacci.

Capacci, who also has not been informed of the status of the proposal, said he is working to establish a Web site where employees can post questions about the move.

Marine Transportation Services Manager Jack Meyers asked how many employees have been asked for their input in the proposal at the Thursday meeting. About 20 employees lining the walls of the conference room sat quietly.

"My concern is for my staff and their families," Meyers said. "We

haven't had any input into this decision process. It's frustrating to read in the press if it's true or not true that Ketchikan is preparing for us to come and we're being told that no decision had been made. It's just fear, anxiety, doubt, all of those sort of things, that bother people who work for me."

Meyers noted that support staff outside AMHS also are located in Juneau.

Before hearing the afternoon Murkowski press conference, Meyers, like many other AMHS employees, said he takes Barton at his word: "A lot of what we heard today is what a lot of us would have liked to have heard several weeks ago or at least before the newspaper articles and the radio interviews were heard."

Provided by Al Judson
3/17/04

Here's the money to fund our schools

The bad news: Virtually all our school districts are facing multi-million dollar shortfalls. Here's the tally from just the largest districts:

- \$26.2 million in Anchorage
- \$ 8.5 million in Fairbanks
- \$ 8 million in Mat-Su
- \$ 5 million on the Kenai
- \$ 2.8 million in Juneau
- \$ 2.1 million in Kodiak

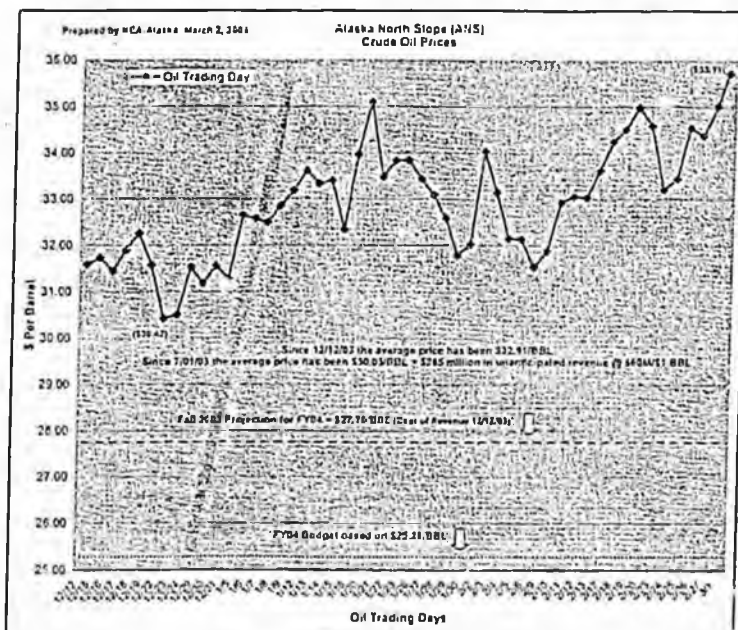
Similar news, and worse, is coming from smaller school districts. What will be the impacts of these cuts?

- Teachers, teacher aides, librarians, school nurses laid off
- Larger class sizes
- Academic programs cut
- Targeted programs for at-risk students cut
- Classroom supplies & equipment budgets slashed
- Extracurricular activities scaled back or eliminated altogether
- Large hikes in student activity fees—pricing many students out of after-school activities altogether

The good news: None of these cuts has to happen.

Because of unexpectedly high oil prices, there will be more than \$250 million in additional revenues available to lawmakers. More than enough for a *\$140 million supplemental appropriation from this year's budget.* * Lawmakers can make this appropriation right now, if they so choose. It will provide a short-term fix for our schools—and head off the losses and disruptions for our children. It will also buy time to decide on the appropriate mix of revenue measures to adequately fund education and other essential government services.

Supplemental funding will not require any changes to the Permanent Fund, or any new taxes. So no more excuses or delays.



Isn't it time that our elected leaders live up to their Constitutional mandate—and their campaign promises? Contact your legislators. ** Tell them to act *now* on a \$140 million supplemental appropriation for our schools.

Because our children get only one chance at a quality education.

* \$70 million to increase Base Student Allocation from \$4,169 to \$4,500; \$70 million as one-time payments over two years to TRS/PERS employee retirement systems to allow time for those systems to stabilize.

** Visit www.neaalaska.org to e-mail your legislators.



NEA - ALASKA

Affiliated with the National Education Association

4100 Spensard Road, Anchorage, AK 99517
Rich Kronberg, President
(907) 274-0536

ANAL D. NEWS

2004 3 17 10 30 AM

Subject: Fw: Fiscal Gap

Date: Fri, 12 Mar 2004 13:18:11 -0900

From: Jerry and Janet George <jgeorge@ak.net>

To: Mindy_Rowland@legis.state.ak.us

Here is the message I sent my Senator. It should go to every legislator on your committee.

YOU SHOULD NOT COME HOME UNTIL YOU SOLVE THE FISCAL GAP PROBLEM

NO to guarantee the dividend in the constitution

YES to % of market value

YES to using a % of permanent fund for state government

YES to an income tax that considers the effect on seniors and not tax their retirement after taking away longevity bonus

YES to a lump sum school tax taken from everyone's first paycheck

YES to raising the fuel tax by 23-30 cents a gallon for highways

YES to tobacco tax increase

YES to alcohol tax increase

Jerry & Janet George

3640 Dora Ave.

Anchorage, AK 99516

(907) 345-1841 (Home)

(907) 223-5656 (Cell)

jgeorge@ak.net

----- Original Message -----

From: Jerry and Janet George

To: Con Bunde

Sent: Friday, March 12, 2004 1:10 PM

Subject: Fiscal Gap

I have several friends that served on the committee of 55 in Fairbanks. I followed that conference on radio and debriefed with a couple folks who were there. I have also watched the legislature fumble for the last few years and it looks like they are about to fail again to come up with a solution. **YOU SHOULD NOT COME HOME UNTIL YOU HAVE RESOLVED THIS MATTER IN SOME FASHION.** To delay another session would be nonfeasance of office and dereliction of duty.

Here is my VOTE

- Do not guarantee the permanent fund dividend in the constitution. That is forever. A thousand years? We have to look at what happened in 1964 when we had the earthquake or in 1967 when we had the flood in the interior. We need to be able to react to emergencies no matter what.
- I agree with the percent of market value approach.
- A spending limit is an admission of failure by the legislature to do their job. If little Janie needs an operation to save her life, do you say sorry it is not in the budget? Or do you cancel the family vacation and get her the operation? It is your job every year to create a budget and you should have the flexibility to continue to do that each year as times and needs change.
- The permanent fund should be used sparingly to meet the needs of Alaskans. But it should be used.
- I would favor a "school tax" like we use to have in the good old days before oil money. I understand the constitutional prohibition against dedicated funds, but we have to believe that the legislature will always appropriate more for education than the tax brings in. There are ways to make it work. The International Airport Revenue Fund works because you reappropriate the fund each year. The school tax should be \$100 or greater and come out the first paycheck of the year. It worked for years in territorial days - it can work again.
- Raise the fuel tax to fund the highways. It is a fair user tax. Alaska has the lowest fuel tax in the nation. A 25

or 30 cent per gallon increase is warranted.

- Consider the elders in any income tax program. I retired and am getting too old to go back to work to make up for what you take away. For example, no more longevity bonus. What if we loose the permanent fund dividend, the property tax break for seniors, and then you start taxing our retirement check? Add to that when you do impose an income tax, every union is going to ask for raises and the cost of goods and services will rise to cover the cost. It comes right back out of our pockets again. I retired based on certain rules in effect at the time. Keep taking more away and you will have to increase welfare to take care of those of us who could have made it if you hadn't taxed us into the poor farm. I agree with an income tax, but consider its effect on seniors who are already retired. Like exempt retirement income.

But I am afraid that if you do not figure this out we will have another 1986. My house will lose value and it represents a large amount of our net worth. We need the value to stay up so it will pay for our years in a retirement home. We are thinking we should sell now and get out before the bottom drops out. I have lived here almost my entire life and I do not want to leave Alaska but I have no faith that the legislature can keep the bottom from dropping out of our economy.

DO SOMETHING. But do not delay this another year. Give those of us who have few options the opportunity to sell out and leave while we still can. Or give us the peace of mind that you have a solution. **JUST DO IT.**

Jerry & Janet George
3640 Dora Ave.
Anchorage, AK 99516
(907) 345-1841 (Home)
(907) 223-5650 (Cell)
jgeorge@ak.net

Subject: Testimony regarding Conference of Alaskans

Date: Fri, 12 Mar 2004 13:14:17 -0900

From: "Carman, John" <JCarman@homestatemtg.com>

To: "'Mindy_Rowland@legis.state.ak.us'" <Mindy_Rowland@legis.state.ak.us>

I would like to make this email a part of the public testimony that is scheduled for March 17th.

I was married in Anchorage in August 1970 - I finished my last year of College that year and moved permanently to Alaska in 1971. Other than 5 years to go to Graduate school I have lived in Alaska ever since. I remember quite well all of the discussion and the reasons I voted for the Permanent fund. In my mind the reasons were quite clear.

The state had too much money we wanted to limit the amount we were spending each year

The Oil was a depleting resource and we wanted to transform that wealth into a fund that WOULD BE ABLE TO FUND NECESSARY STATE SERVICES WHEN THE OIL RAN OUT.

it is a little crazy to now say that this fund, that was created for this purpose, will not be used for it's intended purpose because it is "the peoples money". I have heard everyone's definition of "fair". And the bottom line always seems to be that it is fair if we take more of the money from you and not fair if you take it from me. How can anyone say that it is more "fair" to take the money from an Alaskan that has worked here for 30 years - but not take it from a 2 year old whose parents moved here last year. The Hammond plan reminds me of those that complained that they didn't get anything from an income tax reduction because they didn't pay any taxes to begin with. It is crazy to want a reduction to below -0-.

This is state money derived from the sale of state assets - it should be used first and foremost to pay for state government. If there is any left over distribute it. If there is not enough tax us. But don't take from one group and give to another. Your job should be to make sure that money is spent wisely - not to redistribute income among Alaskan's.

A percent of market value is a good plan if it doesn't tie up the plan and memorialize the PFD any more than it already is. If Hammond wants everyone to "feel the pain" to somehow limit state government then have the PFD state each year

- 1) This is 5% of earnings
- 2) This amount went to fund state government
- 3) This is what is left to distribute to you

Thank you for your patience.

John Carman

Homestate Mortgage

"The information contained in this email (including any attachments) is confidential and may be privileged. If you are not the intended recipient of this email, do not read, retain, copy, distribute, or disclose the content of this email. If you have received this email in error, please advise us by return email. Thank you."

JUNEAU

afternoon

SENATE FINANCE COMMITTEE
PUBLIC TESTIMONY
SIGN-IN

State Senate Conference of Alaskans Resolutions

✓ NAME: Rich Kronhoy Subject/Bill No: Fiscal plan
Co./Dept./Title: NEA-Alaska Phone: 274-0536
Address: 4100 Spenard Rd - Anchorage Zip: 99517
Do you wish to testify? Yes No Respond To Questions

✓ NAME: Roger Clemo Subject/Bill No: SVR 18
Co./Dept./Title: _____ Phone: Bokanof
Address: PO Box 210347 Anchorage AK Zip: 99521
Do you wish to testify? Yes No Respond To Questions

✓ NAME: Sandy Shoulders Subject/Bill No: Fiscal Plan
Co./Dept./Title: _____ Phone: 733-3050
Address: P.O. Box 236 Talkeetna Zip: 99676
Do you wish to testify? Yes No Respond To Questions

✓ NAME: Mary Hakala Subject/Bill No: Fiscal Plan
Co./Dept./Title: Alaska Kids Count + self Phone: 780-4640
Address: 1606 Lawie Lane Juneau Zip: _____
Do you wish to testify? Yes No Respond To Questions

SENATE FINANCE COMMITTEE
PUBLIC TESTIMONY
SIGN-IN

afternoon

wants to be heard later in meeting

State Senate Conference of Alaskans Resolutions

NAME: AI Judson Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____

"Stop the M...
& Ed. Funding"

Address: 2225 Meadow Lane, Anchorage, AK Zip: 99801

Do you wish to testify? Yes No Respond To Questions

✓ NAME: Claudia Criss Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

Claudia
Criss

✓ NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

Provided by Al Judson 3/17/04

Governor is quick to subsidize, careful not to offend big business

Gov. Frank Murkowski is completely captured by big oil and big business. Not only is he afraid to offend them, he's quick to subsidize them. As soon as taxing them is suggested, as in House Bill 441, he leaps to their defense and says we need to give them more incentives. (Like last year's \$50 million tax break for oil companies, which is a little more than he took from the longevity bonus).

Who's in charge?

— Ron Hammett
Anchorage

Sunday, February 8, 2004

Anchorage Daily News

SITE: Kenai

COMMITTEE: Senate Finance

DATE: 3-17-04

AGENDA :

Discussion on Use of the Permanent Fund & CBR

UPDATE #:

afternoon

**DO YOU WANT
TO TESTIFY?**

PRINT YOUR NAME

COMMUNITY

REPRESENTING / AFFILIATION

Y or N

PRINT YOUR NAME	COMMUNITY	REPRESENTING / AFFILIATION	DO YOU WANT TO TESTIFY? Y or N
Mike Navarre	Kenai	Self	Y

SITE: ANCHORAGE

COMMITTEE: SFIN

DATE: 3-17-04

SUBJECT OF MEETING or BILL #

PF and CBR

UPDATE #: 3

afternoon

PRINT YOUR NAME

COMMUNITY

REPRESENTING/AFFILIATION

DO YOU WANT
TESTIFY
Y or N

✓ Carl Evertsbusch	Anchorage	Key Coalition	Y
✓ Kathy Fitzgerald	Anchorage	Self	Y
✓ Jerry McCutcheon	Anchorage	Self	Y
✓ Eric Wohlforth	Anchorage	Self	Y
✓ Arliss Sturgulewski	Anchorage	Self	Y
✓ Eddie Burke	Anchorage	Alaskan's Just Say No	Y
✓ Marie Lavigne	Anchorage	Self	Y
✓ Ron Cowan	Anchorage	LTC Ombudsman	Y
✓ Soren Wuerth	Anchorage	Alaskan's Just Say No	Y
✓ Roselynn Cacy	Anchorage	Self	Y
✓ Todd Brown	Anchorage	Self	Y

✓ NAME: Brad Fluetzsch Subject/Bill No: _____
Co./Dept./Title: _____ Phone: 321-4596
Address: 5700 N Douglas Hwy Zip: Jacksonville 32216
Do you wish to testify? Yes No Respond To Questions

3/12/04 Voluntary

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: CLAUDIA CRISS Subject/Bill No: blind services

Co./Dept./Title: NVA Services Phone: 789-5904

Address: 8491 Thunder ANT Road Juneau Zip: 99801

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

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Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

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Address: _____ Zip: _____

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Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

Subject: Finance Comm Meeting 3/17

Date: Sat, 13 Mar 2004 18:34:50 -0900

From: William Hutmacher <chena2@ak.net>

To: Mindy_Rowland@legis.state.ak.us

We will not be able to attend the 3/17 Finance committee meeting, however we would like to offer the following comments:

We are definitely in favor of the Percent of Market Value approach for the Permanent Fund.

We believe that some of the earnings of the Permanent Fund should be used to fund dividends AND government services such as education, public safety, transportation. Dividends should also be capped at a specific amount such as \$1,500.

We also believe that a limited income tax should be reinstated as part of the long term fiscal plan. We were here prior to 1980 when it was in effect. This ensures that residents and non-residents contribute to the funding of essential state services.

We believe we must have a long term fiscal plan by the end of this session. DON'T put it off because oil prices happen to be at a high level.

Thank you,

Bill & Ruth Hutmacher
16130 Bridgewood Circle
Anchorage
344-1014

Rags to riches

Can oil ever help the poor?

KOMÉ

It hasn't in the past. Chad hopes to buck the trend

RURAL Chadians are unaccustomed to handling large amounts of cash. Esso-Chad, a consortium led by ExxonMobil, whose new oil pipeline runs through this giant but largely empty Saharan state, paid \$4m to compensate those whose land had been spoiled for farming, including \$1,000 for every mango tree cut down. The farmers squandered their windfall. One celebrated by taking a bath in beer. Another left his mud hut and went to stay in a four-star hotel in the capital, Ndjamená, for a couple of weeks. Others took several more wives. Some invested wisely in windmills or cattle, but most lost the lot. Traditional chiefs took a cut of about 10% from every farmer's compensation package.

This is the story of oil booms in poor countries, writ small. The world's most sought-after substance often curses the countries where it is found. Those that were rich before they struck oil, such as Norway, have not been harmed, and the most oil-rich Gulf states are obviously wealthier because of oil. But in many poor nations, a sudden influx of oil money has proven ruinous.

As with those farmers in Chad, easy money undermines the work ethic. Clever folk abandon productive work and start

hustling for a share of the petrodollars. Governments are corrupted, like those Chadian chiefs, as it is easier to steal unearned wealth than the sort that people have worked for.

Paradoxically, unearned wealth tends to bust budgets. Everyone thinks the country is richer than it really is, so politicians spend a fortune on pointless prestige projects, and citizens clamour for handouts. This is how Nigeria got its artificial capital city, and how Saudi Arabia came to be saddled with more than 20,000 expensive princes. None of the extra spending is cut back during cyclical oil price slumps, so the lucky petro-states end up horribly in debt. Worst of all, oil fuels wars (in Sudan, for example), by making control of the state a prize lucrative enough to kill for.

Africa is on the verge of an unprecedented oil bonanza: a handful of states are expected to receive \$200 billion in the next decade. To avert disaster, ways need to be found to ensure that the money is spent wisely. It is in Chad, Africa's newest oil-producer and one of its poorest, that the boldest experiment is taking place.

Over the past three years, EssoChad has transformed acres of farmland into a constellation of oil wells and high-voltage

power lines. Oil has started to flow through a 1,070km (665-mile) pipeline that links this landlocked desert state to the sea via Cameroon. Over the next 25 years Chad is expected to make \$80m a year from oil, a 50% boost to its tiny budget. On November 26th, the government got the cheque for its first shipment of crude.

But the money comes with ethical strings attached. Under pressure from the World Bank, Chad has set up an independent watchdog that will scrutinise how the government spends its oil booty. The Revenue Oversight Committee, as it is known, has rejected more than half the government contracts it has screened, and is insisting on open bidding.

The committee has weaknesses: it is understaffed, with only four full-timers and just five days to size up each contract. Its scrutiny slows an already tedious and mostly manual process for disbursing funds. Arguably, Chad needs the money fast. Though nearly twice the size of Texas, it has only 550km of paved roads. Infrastructure has been ground down by three decades of civil war. Ndjamená's only power station could barely light five office buildings in Washington. But without transparency, the money will be wasted.

Oil is capital-intensive but not labour-intensive, so few of Chad's 9m people can benefit directly. At most, 3,500 were employed in building the pipeline and other facilities, and some complain that they had to bribe employment agents to be hired. With the oil now flowing, the Chadian workforce is down to just over 1,000.

Car dealers and private security firms have profited from the arrival of well-paid ▶▶

expatriates. So have traders, who have quadrupled prices for chicken, cocoa butter, fish and meat. A shanty town has sprung up outside Komé 5, the main oil plant, nicknamed "Atten", after the French for "wait", because people go there to wait for work. Some people have rebaptised it "Satan", because of its plentiful bars and AIDS-spreading brothels.

The Chadians' best hope is that their watchdog will bite. Half its members have no ties to government, which is cheering. Already, it has been alerted to a discrepancy between the amount of oil pumped and the amount shipped. This is worrying, but the fact that such sensitive information has been made public augurs well.

Chad's case may be exceptional. Donors could lean on it because it was broke. As money starts flowing in from new oil fields, some of which will not fall under the probing eye of the committee, the government may feel empowered to ignore nagging foreigners. Do-gooding lobbies in Europe and America are campaigning for oil firms to "publish what they pay" to governments in poor countries, but the firms fear that if they insist on transparency, governments will simply switch to less scrupulous drillers. And even if they do open up, that may not stop politicians from looting. The only difference may be that people will know more accurately how much is stolen. ■

3/17/04 distributed by
Joe Soj

Subject: Testimony for Finance Committee

Date: Sat, 13 Mar 2004 16:27:46 -0800 (PST)

From: Jim r <papa42dudes@yahoo.com>

To: Mindy_Rowland@legis.state.ak.us

CC: Senator_Con_Bunde@Legis.state.ak.us

Mindy, Pls provide a copy of this msg to all members of the Senate Finance Committee.

Implement Spending Limit: OF COURSE!

Constitutional Guarantee Of Dividend: If it goes in the constitution it should state that proceeds from the Permanent Fund should first go to running the state, second to dividends, AND any year that dividends are paid the state shall not collect an income tax. If there is enough money for a dividend, then there is no need for income tax to be collected.

Allow For Some Limited Use Of Surplus Earnings Of The Fund: OF COURSE - as long as there is a tax cap/spending limit in the constitution.

Switch to POMV: YES

Jim Ricks, Eagle River, AK

Do you Yahoo!?

Yahoo! Mail - More reliable, more storage, less spam
<http://mail.yahoo.com>

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YES to alcohol tax increase

Jerry & Janet George

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It is a little crazy to now say that this fund, that was created for this purpose, will not be used for it's intended purpose because it is "the peoples money". I have heard everyone's definition of "fair". And the bottom line always seems to be that it is fair if we take more of the money form you and not fair if you take it from me. How can anyone say that it is more "fair" to take the money from an Alaskan that has worked here for 30 years - but not take it from a 2 year old whose parents moved here last year. The Hammond plan reminds me of those that complained that they didn't get anything from an income tax reduction because they didn't pay any taxes to begin with. It is crazy to want a reduction to below -0-.

This is state money derived from the sale of state assets - it should be used first and foremost to pay for state government. If there is any left over distribute it. If there is not enough tax us. But don't take from one group and give to another. Your job should be to make sure that money is spent wisely - not to redistribute income among Alaskan's.

A percent of market value is a good plan if it doesn't tie up the plan and memorialize the PFD any more than it already is. If Hammond wants everyone to "feel the pain" to somehow limit state government then have the PFD state each year

- 1) This is 5% of earnings
- 2) This amount went to fund state government
- 3) This is what is left to distribute to you

Thank you for your patience.

John Carman

Homestate Mortgage

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Subject: Testimony for all Finance Committee Members

Date: Thu, 18 Mar 2004 08:31:20 -0900

From: Shirley & Chuck Coulson <coulsons@gci.net>

To: Mindy_Rowland@legis.state.ak.us

Dear All,

My name is Lindsey Coulson and I am a sixth grader at Bear Valley Elementary. Please give my school district the money it needs for next year. I am concerned that when I go to Goldenview Middle School I won't have the opportunities to try new things like my brother and sister had. By taking away one elective it is like taking away a chance to learn something new and it seems by doing that the school district doesn't care about us learning new things before high school. I would be very angry if this is what will happen. I have listened to my older brother and sister talk about the really great teachers at Goldenview and I don't want them laid off from their jobs. Please take my opinion into consideration because I know this is how some of my other fellow classmates feel.

From,

Lindsey Coulson

STATE OF ALASKA

Department Of Labor and Workforce Development

FRANK H. MURKOWSKI, GOVERNOR

P. O. Box 21149
Juneau, AK 99802-1149
Phone: (907)465-2700
Fax: (907)465-2784

OFFICE OF THE COMMISSIONER

March 22, 2004

The Honorable Lyda Green
Alaska State Legislature
State Capitol, Rm. 516
Juneau, AK 99801-1182

The Honorable Gary Wilken
Alaska State Legislature
State Capitol, Rm. 518
Juneau, AK 99801-1182

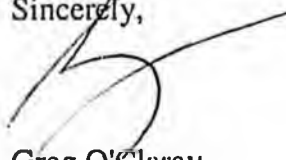
RECEIVED
MAR 22 2004

Dear Senators Green and Wilken,

On March 18, 2004, two of our Research and Analysis staff, Chris Miller and Neal Fried, testified before the Senate Finance Committee. They presented an overview of current and historical economic conditions in Alaska. During their testimony, several committee members requested additional population and economic information.

The attached document addresses the questions that were raised relating to the working age population of Alaska, nonresidents working in Alaska, household size, employment trends, gross state product, fisheries employment and the importance of government employment in Alaska. If you have additional questions relating to these or other issues, feel free to contact me.

Sincerely,



Greg O'Claray
Commissioner

Enclosure

cc: Chris Miller, Chief, Research and Analysis

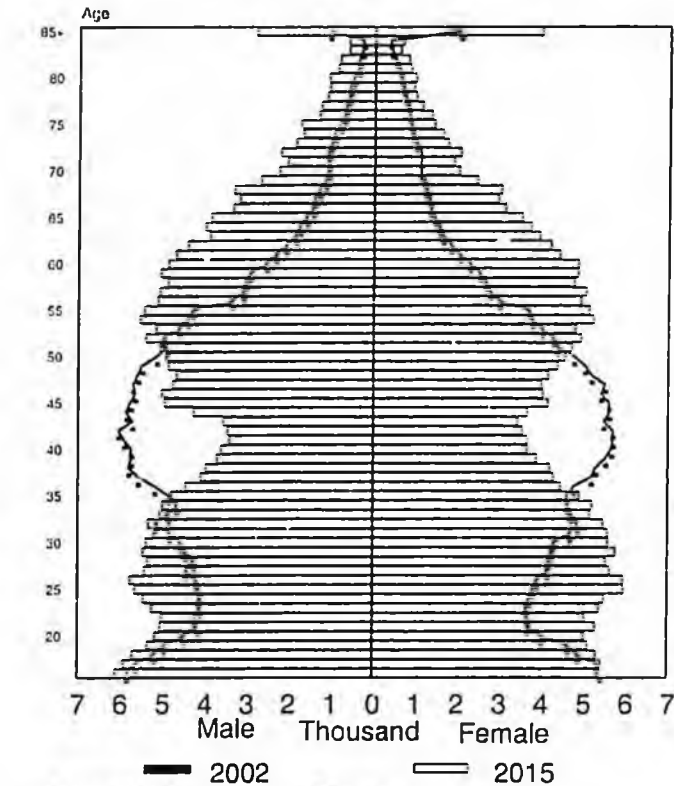
**Responses to questions posed to
Alaska Department of Labor and Workforce Development, Research and
Analysis at the Senate Finance Committee Hearing on March 18, 2004**

March 22, 2004

What percent of Alaskans are in the working age population now, and how many are projected to be in the working age population in 2015?

In 2002, the percent of Alaska's total population of working age (age 16-64) was 67.1%. Based on our most recent population projections, the percent of Alaska's total population in 2015 that will be of working age will be 63.2%.

Alaska 2002 and Projected 2015
Working Age and Male/Female



What is the number of persons per household in Alaska and how has it changed over the years?

The persons per household in Alaska has declined about 0.1 persons per decade from 1980-2000.

Persons per Household
Alaska and US 1980-2000

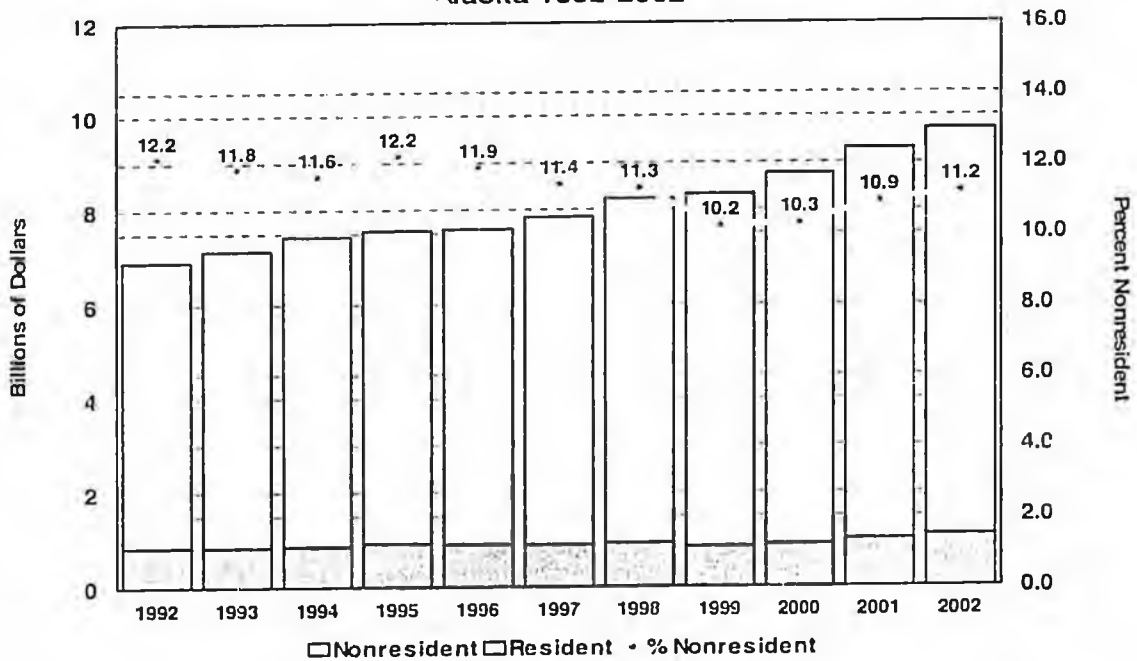
	Alaska	US
1980	2.93	2.76
1990	2.80	2.63
2000	2.74	2.62

Source: US Bureau of Census Bureau

What percent of Alaska wages were paid to nonresident workers in 2002?

About 11 percent of wages (in private sector, state and local government wage and salary jobs) were paid to nonresident workers in 2002.

**Resident and Nonresident Wages and Percent Nonresident
Alaska 1992-2002**

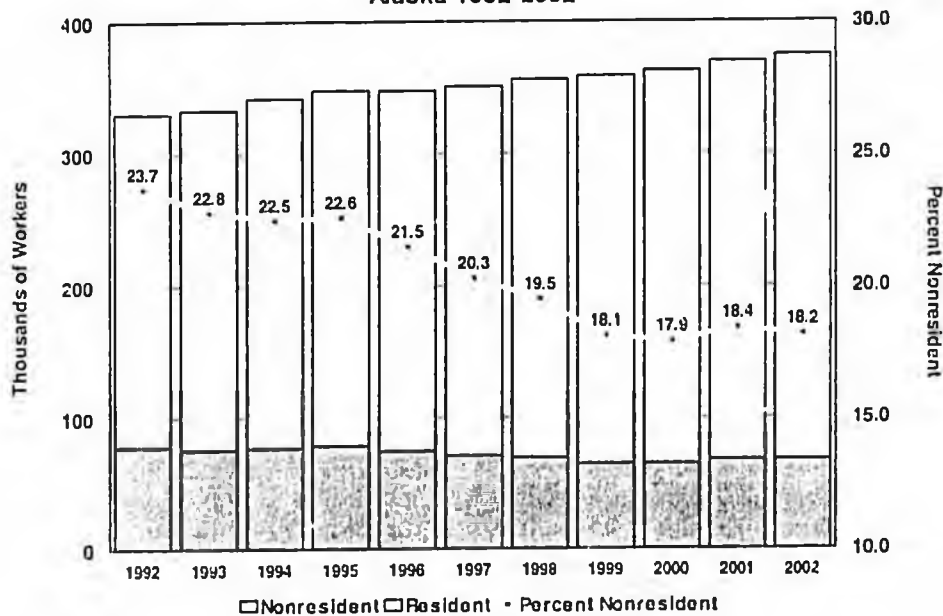


Note: Includes private sector, state and local government workers.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

How has the percentage of nonresident workers and wages changed in Alaska over the last several years?

Both the percentage of nonresident workers and wages have declined since the early 1990's. In 2002, we estimate that 18.2 percent of all workers employed in private sector, state and local government were nonresidents of Alaska.

**Resident and Nonresident Workers and Percent Nonresident
Alaska 1992-2002**



Note: Includes private sector, state and local government workers.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

How many nonresident workers are employed seasonally in Alaska and what percentage of nonresident earnings go to seasonal workers?

More than half of nonresident earnings were paid to workers employed in all four quarters of 2002. About one third of all nonresident workers were employed in only one calendar quarter of 2002. Nonresident workers earned an average of \$16,007 in 2002 while resident workers earned an average of \$28,157.

**Total Workers and Wages by Residency and Quarters Worked
Alaska 2002**

Nonresident			
AK Quarters Worked	Number	Avg. Wages	Total Wages
1	23,203	3,818	88,598,362
2	21,798	9,765	212,851,428
3	11,658	18,989	221,375,141
4	11,313	49,959	565,185,645
Total	67,972	\$16,007	\$1,088,010,577

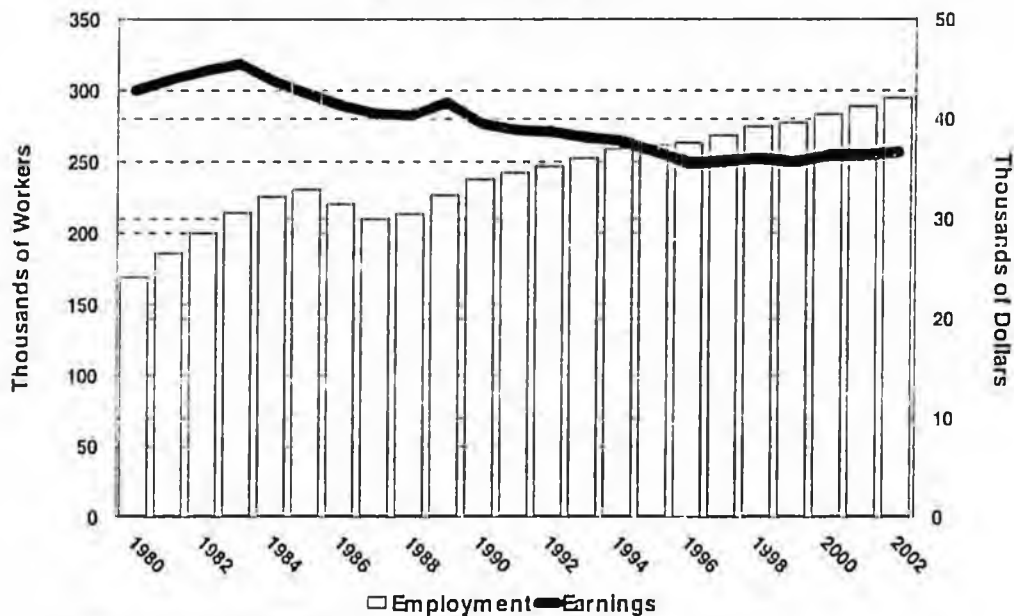
Resident			
AK Quarters Worked	Number	Avg. Wages	Total Wages
1	27,387	2,340	64,092,089
2	37,452	6,993	261,912,606
3	40,846	14,677	599,480,573
4	200,838	38,365	7,705,247,564
Total	306,523	\$28,157	\$8,630,732,832

Source: Alaska Dept. of Labor and Workforce Development, Research and Analysis

What has been the trend for average wages and average employment in Alaska since 1980?

Alaska has added jobs for sixteen consecutive years (1988-2003) at an average rate of about 2.7% a year. Real wages have fallen from a high point in 1983, but have increased slightly since 1996.

**Employment and Average Earnings
Alaska 1980-2002**

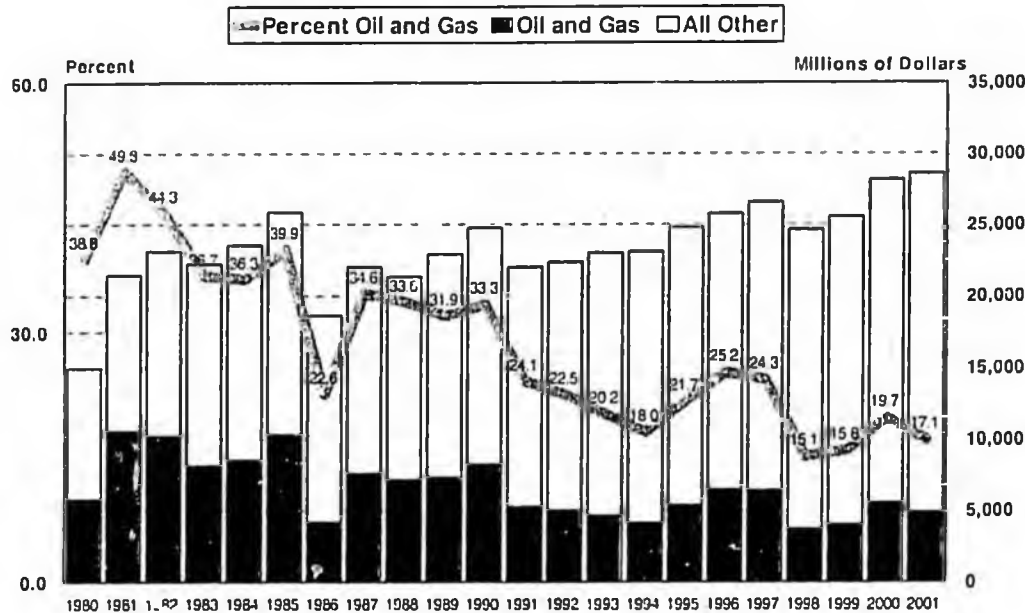


Note: Earnings in constant 2002 dollars
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

What percent of Alaska's Gross State Product is driven by oil prices?

In 2001, approximately 17 percent of Alaska's gross state product was associated with the oil industry. Total oil industry gross product is directly associated with the price and production of oil.

**Alaska Gross State Product- 1980 to 2001
Total, Oil Industry Product and Percent Oil
In Current \$'s**



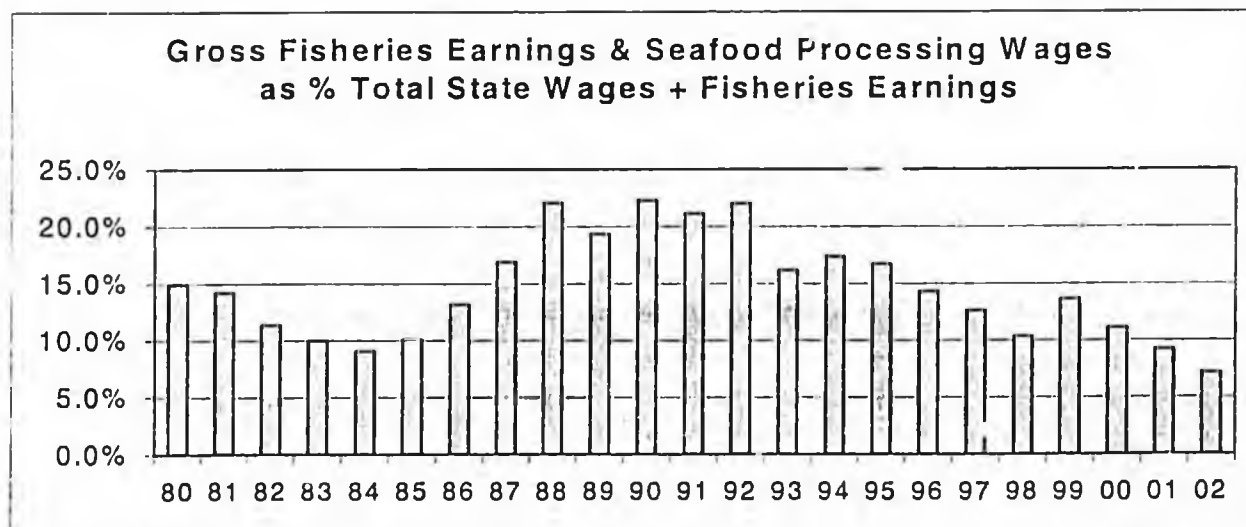
Source: US Dept. Of Commerce, BEA

How many workers are employed in the fishing industry, including seafood harvesting?

In 2002 a preliminary estimate of 45,100 persons were involved in harvesting Alaska managed fisheries or seafood processing.

What percent of the Alaska economy is based upon fisheries?

In 2002 the seafood industry accounted for approximately 7 percent of Alaska wages and salaries.

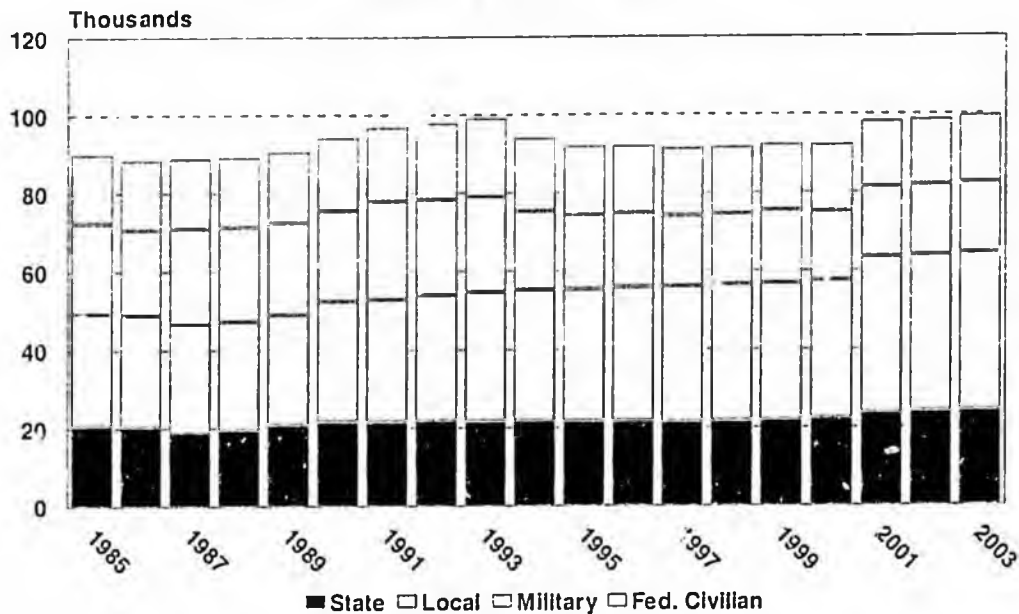


Source: DOLWD, Research and Analysis and ADFG, CFEC

How many workers are employed in state, local, and federal government (military and civilian) in Alaska?

Total government employment (including military) has grown from about 89,000 in 1985 to 99,500 in 2002. Federal government employment has declined during that period, while state government has added 3,600 jobs and local government 11,500 new workers.

**State, Local, Military and Federal Civilian Govt. Employment
Alaska 1985-2003**



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section