

HB

40002

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FILE

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CS HB 4002 (CRA)
 () Publish Date: _____
 Dept. Affected: Health & Social Services
 RDU Public Assistance
 Component PFD Hold Harmless

ID(File name) HB4002CS(CRA)-DHSS-PFDHH-07-25-08
 Title ALASKA RESOURCE REBATE PROGRAM

Sponsor RULES BY REQUEST OF THE GOVERNOR
 Requester HOUSE FINANCE

Component No. 225

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation		Information				
	Required						
	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims	400.0						
Miscellaneous							
TOTAL OPERATING	400.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES							
CHANGE IN REVENUES (0)							

FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1037 GF/Mental Health							
Other(PFD Hold Harmless)	400.0						
Other(Specify Type-do not abbreviate)							
TOTAL	400.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This legislation increases the 2008 Permanent Fund Dividend by \$1,200 to provide residents of the state with an Alaska resource rebate. The increase of \$1,200 to the total amount of the dividend will be funded by transfers from the general fund to the dividend fund.

The Food Stamp, Social Security Supplemental Income (SSI), and Adult Public Assistance (APA) programs count the Permanent Fund Dividend (PFD) as income in determining whether a person or household qualifies for benefits. PFD money that is not spent and is kept after the month of receipt is also considered an available asset (cash on hand or money in the bank) for program participants.

Prepared by: Carolyn Spalding, Chief of Policy
 Division Division of Public Assistance
 Approved by: William H. Hogan, Commissioner
 Agency Department of Health and Social Services

Phone 465-2340
 Date/Time 07/23/2008
 Date 07/25/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO: CS HB 4002 (CRA)

ANALYSIS CONTINUATION

The Permanent Fund Dividend Hold Harmless program established in AS 43.32.075 requires that public assistance benefits which are lost as the result of counting the PFD as income or as an asset must be replaced by issuing a PFD Hold Harmless (PFD HH) benefit. PFD HH replacement benefits are limited to four months a year.

The department estimates an increment of \$400,000 in PFD HH will be needed in FY 09 to replace Food Stamp benefits that would otherwise be reduced or stopped as a result of households receiving the extra \$1,200 in the PFD.

The department does not expect the \$1,200 increase in the 2008 PFD to affect the amount of PFD HH expenditures needed to replace lost APA and SSI benefits. The amount of the PFD has been so high in recent years that benefits to these program recipients have been replaced with PFD Hold Harmless benefits, even without the additional \$1,200. These appropriations are accounted for in the FY 09 budget. The department also expects that the extra \$1,200 received by program participants will be spent on additional expenses such as increased energy costs.

Assumptions:

In FY 08 approximately 400 Food Stamp households received an additional month of PFD HH benefits compared to FY 07. This was the result of the 2007 PFD being higher than the 2006 PFD. In FY09, the department expects that the \$1,200 added to the 2008 PFD would affect at least twice that number of households. In addition, the number of applicants and recipients for the Food Stamp program has increased about 5% in recent months over last year's caseload, resulting in an estimated additional 200 households that could be impacted by the increase to the PFD payment. The average PFD HH payment is \$400/month for an estimated total of 1,000 households. $1,000 \times \$400 = \$400,000$

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB4002(CRA)
() Publish Date: _____

Identifier (file name): CSHB4002(CRA)-DOR-RRP-7-3-08 Dept. Affected: 04 Revenue
Title: Alaska Resource Rebate Program RDU: Taxation and Treasury
Sponsor: Rules Component: Resource Rebate
Requester: House Finance Component Number: 2930

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual		100.0	50.0				
Supplies							
Equipment							
Land & Structures							
Grants & Claims		744,000.0					
TOTAL OPERATING	0.0	744,100.0	50.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts							
1003 GF Match							
1004 GF		744,100.0	50.0				
1005 GF/Program Receipts							
1037 GF/Mental Health							
TOTAL		744,100.0	50.0				

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill adds \$1,200.00 to each 2008 PFD from the general fund. There are no changes to PFD eligibility. While there are no direct costs to administer this change in the PFD program, we expect additional costs to the PFD Division in terms of additional public contacts and appeals of eligibility determinations. The increased size of the dividend will result in more appeals and more time spent on appeals. The \$100,000 in FY 09 and \$50,000 in FY 10 are based on increased appeal costs from the Office of Administrative Hearings beyond what can be absorbed in the current PFD Division budget for both FY 09 and FY 10. Funding for this program is in a separate appropriations bill. Estimated costs based on 620,000 eligible PFD applicants, actual number will not be determined until mid-September.

Prepared by: Loretta Withington
Division: Admin Services
Approved by: Jerry Burnett
Department of Revenue

Phone: 465-2312
Date/Time: 7/23/08 12:00 AM
Date: 7/23/2008

FISCAL NOTE

**STATE OF ALASKA
2008 LEGISLATIVE SESSION**

Fiscal Note Number: 2
 Bill Version: HB 4002
 (H) Publish Date: 7/9/08
 Dept. Affected: Health & Social Services
 RDU: Public Assistance
 Component: General Relief Assistance

ID(File name) LL057-DHSS-GRA-07-08-08
 Title ALASKA RESOURCE REBATE PROGRAM
 Sponsor RULES BY REQUEST OF THE GOVERNOR
 Requester _____

Component No. 221

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required		Information				
	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services		546.1					
Travel		10.0					
Contractual		108.0					
Supplies		108.0					
Equipment							
Land & Structures							
Grants & Claims		9,896.2					
Miscellaneous							
TOTAL OPERATING	0.0	10,668.3	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES							
CHANGE IN REVENUES (0)							

FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts							
1003 GF Match							
1004 GF		10,668.3					
1037 GF/Mental Health							
Other(Specify Type-do not abbreviate)							
Other(Specify Type-do not abbreviate)							
TOTAL	0.0	10,668.3	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full-time							
Part-time							
Temporary		9					

ANALYSIS:

(Attach a separate page if necessary)

This legislation establishes the Alaska Resource Rebate Program, which shares the state's resource wealth by providing a special one-time \$1,200 payment to eligible Alaskans.

This legislation prohibits counting the rebate as income or resources for veterans' benefits and public assistance programs, unless required to do so by federal law. Section 1 (l), (m), (n), and (p) require that benefits which would be lost as a result of counting the rebate as income or as an asset be replaced with Hold Harmless (HH) benefits. Replacements of public assistance benefits are limited to four months. Veterans' benefits are not subject to the 4-month limitation.

Prepared by: Ellie Fitzjarrald
 Division: Public Assistance
 Approved by: William H. Hogan, Acting Commissioner
 Agency: Department of Health and Social Services

Phone 465-5847
 Date/Time 07/03/2008
 Date 07/08/2008

STATE OF ALASKA
2008 LEGISLATIVE SESSION

ANALYSIS CONTINUATION

In some circumstances, the \$1,200 rebate will count in determining if a person or household qualifies for public assistance, and reduce their benefits. The primary programs affected by this legislation are: Food Stamps; Supplemental Security Income (SSI); income-tested veterans' benefits; and Medicaid.

The department estimates a total increment of \$10,668.7 will be needed in FY 09 to implement the hold harmless provisions in the new Alaska Resource Rebate Program. These costs include: \$9,896.2 to replace the loss of benefits, and \$772.5 in administrative costs, which includes funding for 9 temporary staff needed to manage the additional workload. This funding is included in a separate appropriation bill.

Benefit Cost Assumptions:

Persons who apply for public assistance in the same month they receive the resource rebate, or who do not spend the money right away, could be affected.

For most public assistance programs, the department will not be able to anticipate when ongoing recipients will receive the rebate check, or in time to take action to count it as income. The department also expects most individuals will spend the money immediately on basic needs and continue to have assets below the various program limits.

Food Stamp Program: Federal rules allow the resource rebate to be excluded as income; however, any portion of the payment that is not spent must be counted as an asset. The department estimates 7,000 households (30% of nearly 24,000 households currently eligible for the Food Stamp Program) will need hold harmless benefits to replace federal food stamp benefits for one month. These households will not spend their resource rebate payments right away, causing them to exceed the \$2,000 asset limit set in federal rules. The average allotment is \$400. Estimated food stamp hold harmless cost is \$2,800.0.

SSI: The department expects that the Social Security Administration will count the resource rebate as income, and any money not spent will be counted as an asset, under the federal SSI rules. SSA will likely make this determination after the fact and establish an overpayment retrospectively. About 11,500 individuals receive SSI in Alaska. The average monthly SSI payment is \$400. Estimated SSI hold harmless cost is \$4,600.0.

STATE OF ALASKA
2008 LEGISLATIVE SESSION

ANALYSIS CONTINUATION

Veterans Disability and Survivor Benefits: For veterans' benefits that are means tested, the Veterans Administration will treat the resource rebate as income. Benefits will be reduced dollar for dollar and prorated over the calendar year. VA estimates 376 beneficiaries (312 vets and 64 widows and dependents) will be impacted. The department estimates the VA hold harmless cost is \$451.2 (376 x \$1,200).

Medicaid: The rebate can be excluded for most Medicaid coverage groups, including Family Medicaid & Denali KidCare. Federal law, however, requires the state to count the resource rebate as income for seniors and people with disabilities if it brings their total income to more than \$1911/month (300% of the SSI standard).

The department estimates 715 seniors and individuals with disabilities will receive the rebate in the same month they apply for Medicaid and will need hold harmless benefits to help pay for medical care that would otherwise be covered by federal Medicaid funds. The average monthly medical cost for these individuals is \$2,818.00. The department estimates Medicaid hold harmless cost of approximately \$2 million.

Savings to the benefit programs are primarily outside of the DHSS budget (SSI and veterans' benefits), or 100% federally funded (food stamps) and will not result in any GF savings. Medicaid savings would be reflected in the department's budget. However, due to the \$23 million reduction already absorbed by the Medicaid program in FY 2009, and the uncertainty of the new program's impact, the department is not proposing an additional \$2 million reduction in Medicaid.

It is anticipated that all Resource Rebate Hold Harmless payments will be made in FY 09. It may be necessary to make some payments in FY 10; if so, the Department will include the necessary adjustments in its FY 10 budget.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 4002
(H) Publish Date: 7/9/08

Identifier (file name): 773080057-DOA-OAH-07-03-08 Dept. Affected: Administration
Title: An act establishing the Alaska resource rebate program RDU: Centralized Administrative Services
Component: Office of Administrative Hearings
Sponsor: Rules Committee by Request
Requester: Governor Component Number: 2771

Expenditures/Revenues (Thousands of Dollars)

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

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

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

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

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: *(Attach a separate page if necessary)*

This bill provides for individuals denied a resource rebate payment to have an administrative hearing before the office of administrative hearings (OAH) to determine eligibility for the rebate program. Based on Department of Revenue estimates, OAH anticipates that this would add to the caseload, on a one-time basis, only a small number of cases, if any. Some such cases might be consolidated with related PFD eligibility appeals. OAH presently has the capacity to handle these cases without increasing personnel. The cost of doing so would be recovered from the Department of Revenue through interagency receipts under OAH's cost allocation plan, based on the time commitment required for hearings. OAH does not anticipate increased expenditures for its operation due to the one-time addition of this case category.

Prepared by: Terry L. Thurbon, Chief Administrative Law Judge Phone 465-1886
Division: Office of Administrative Hearings Date/Time: 07/03/08 2 26 p m
Approved by: Kevin Brooks, Deputy Commissioner Date: _____
Department of Administration

**Fairbanks, Alaska
July 19, 2008**

To; Governor Sarah Palin, State Senators, State Representatives

Subject: Item #2 of the Executive Proclamation, Dated 1st day of July, 2008

As we all know the prices of the above subjects are due to the rising price of "OIL". To be fair to all, Stimulus payments should be made to each man and wife and those who are single and the legal age of 18 as they are the one's who are paying the higher prices of fuel oil, groceries, electric power, gasoline, house payments, and rents. Those who are under the age of 18 are still legal dependents of their parents; they are still in school (or should be)? , They pay no rent, buy no groceries or monthly bills, any cars or big purchases must have a co-singer they have no monetary obligations to speak of and should be allotted moderate amount of \$200.00 and parents and Singles of legal age allotted \$1500.00 to \$2000.00 each, In this formula the State of Alaska could save the balance of the proclamation for energy projects for the future.

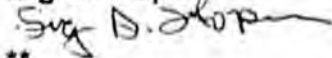
The State can and "Should" ask the I.R.S. for income tax relief for the proclamation as President Bush did for the " \$600.00 Stimulus Check", this Money belongs to the residents of Alaska only, not everybody living in the Lower 48 states.

Residency; the state should use the Permanent Fund Requirements. Or Show proof 6 months of contiguous residency.

This would be fair to all at this time of emergency before winter sets in, In the future this type of stimulus should be made by cost of living in different areas of the state as shipping rates, fuel oil rates, groceries rates, and gasoline rates are different. Central Alaska and Point Barrow are on Natural Gas, Central Alaska and the Juneau have Hydro power; the rest of the State is on Home heating oil and Diesel Power Generators a big difference, Coal in some areas.

51 year resident of Alaska

Sig D. Hopen



Homeless resident funds should be allotted to Rescue Missions or to The Churches, Soup Kitchens, Food Banks, ect., or where they Eat or Sleep.

STATE OF ALASKA



Executive Proclamation
by
Sarah Palin, Governor

Under the authority of art. II, sec. 9, and art. III, sec. 17, of the Alaska Constitution, and in the public interest, I call the Twenty-Fifth Legislature of the State of Alaska into its fourth special session at Juneau, Alaska in the legislative chambers on July 9, 2006 at 10:00 a.m. to consider the following subjects:

1. approval of the issuance of a license under AS 43.90.010 - 43.90.990 (Alaska Gasline Inducement Act) to TransCanada Alaska Company, LLC and Foothills Pipe Lines Ltd., jointly as licensee;
2. statutory changes to establish the Alaska resource rebate program and to provide payments under the program to residents of this state;
3. statutory changes relating to power cost equalization under AS 42.45.100 - 42.45.190;
4. statutory changes to suspend temporarily the motor fuel tax;
5. statutory changes relating to a renewable and alternative energy grant fund and recommendation program, including statutory changes to authorize assistance for alternative energy purposes; and relating to the Alaska Renewable Energy Task Force; and
6. making appropriations relating to the subjects set out in this proclamation.

Dated this 1st day of July, 2006

Done by



Sarah Palin, Governor
who has also authorized the seal
of the State of Alaska
to be affixed to this proclamation

SARAH PALIN
GOVERNOR

GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

July 29, 2008

VIA HAND DELIVERY

The Honorable Kevin Meyer
Alaska State Representative
Co-Chairman, House Finance Committee
State Capitol, Room 515
Juneau, AK 99801

The Honorable Mike Chenault
Alaska State Representative
Co-Chairman, House Finance Committee
State Capitol, Room 505
Juneau, AK 99801

Re: HB 4002 - Tax Rates for Recipients

Dear Co-Chairman Meyer and Co-Chairman Chenault:

During testimony on CS for HB 4002 this Saturday, the question of whether the resource rebate was subject to federal income tax was asked and what tax rates Alaskans would pay on the resource rebate. I have researched the issue and can provide you with some additional input.

The resource rebate would be subject to federal income tax. Federal income tax rates vary depending on which income bracket an individual falls in on the tax schedule. I have attached a list of the 2007 tax rate schedule. (I could not find the tax rate schedule for 2008 on the IRS web site. Income tax brackets in the tax rate schedule will be adjusted slightly upward for inflation).

Under HB 4002, persons eligible for a 2008 permanent fund dividend automatically qualify for the resource rebate. Eligibility numbers for 2008 permanent fund dividends are not available yet. However, I can use the eligibility numbers from the permanent fund dividend's 2007 annual report, the 2007 tax rate schedule, and state data on income to generally illustrate the tax impacts from receiving the resource rebate.

- **Minors Under the Age of 18:** 177,873 of the total 628,895 applications filed for a 2007 permanent fund dividend were filed by minors. This is 28 percent of the total number of applications for a 2007 permanent fund dividend. While I do not have individual income information on each of the minors filing an application, it is fair to say that a very large number of the minors filing for a permanent fund dividend are either too young to work or do not make over \$7,825 in *net* income a year (after deductions, exemptions, and credits are made to gross income). This means most minors receiving a \$1,200 resource rebate would be subject to a 10 percent tax or \$120. Minors making more than \$7,825 in net income after deductions, exemptions, and credits would be subject to a 15 percent tax rate only on that income they earned or received above \$7,825. So if a minor had net income of \$7,925, they would pay a 10 percent tax on \$7,825 of that income and a 15 percent tax on the \$100 in income above the \$7,825 tax bracket limit.

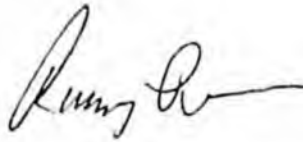
- **Adult Alaskans:** 451,022 applications for a 2007 permanent fund dividend were filed by adults. In 2006, Alaska had an average per capita personal income of \$38,138 according to *Bureau of Economic Analysis, U.S. Department of Commerce*. If we assume the following we can roughly estimate the number of Alaskans that would pay taxes on the resource rebate at the 15 percent tax rate:
 - A similar number of applications for a 2008 permanent fund dividend are submitted by adults as was received in 2007;
 - Half of the total number of adults filing for a 2008 permanent fund dividend earn the 2006 average gross income per capita for Alaskans of \$38,138; and
 - Half of the total number of adults filing for a 2008 permanent fund dividend earning the 2006 average gross income per capita of \$38,138 take the standard tax deduction (\$5,450 for singles) and personal exemption (\$3,500) for income tax purposes. These individuals would have a net taxable income of \$29,188 or less.

Using these assumptions, about 225,511 adult Alaskans receiving a \$1,200 resource rebate would still have a net taxable income below \$31,850. These individuals would pay a 10 percent tax on the first \$7,825 in net income and a 15 percent tax on net income above that amount up to \$31,850. A 15 percent tax on the \$1,200 rebate would be \$180.

The Honorable Kevin Meyer
The Honorable Mike Chenault
July 29, 2008
Page 3

If we add the two categories together (minors - 177,873 and half of the adults 225,511) roughly two-thirds of persons receiving the \$1,200 resource rebate would pay taxes at a rate of 15 percent or less.

Sincerely,

A handwritten signature in black ink, appearing to read "Randall Ruaro", with a long horizontal flourish extending to the right.

Randall Ruaro
Special Staff Assistant

Enclosures

cc: The Honorable Bert Stedman, Co-Chair, Senate Finance
The Honorable Lyman Hoffman, Co-Chair, Senate Finance



2007 Federal Tax Rate Schedules

Note: These tax rate schedules are provided so that you can compute your federal estimated income tax for 2007. To compute your actual income tax, please see the instructions for 2007 Form 1040, 1040A, or 1040EZ as appropriate when they are available.

Schedule X — Single

If taxable income is over--	But not over-	The tax is:
\$0	\$7,825	10% of the amount over \$0
\$7,825	\$31,850	\$782.50 plus 15% of the amount over 7,825
\$31,850	\$77,100	\$4,386.25 plus 25% of the amount over 31,850
\$77,100	\$160,850	\$15,698.75 plus 28% of the amount over 77,100
\$160,850	\$349,700	\$39,148.75 plus 33% of the amount over 160,850
\$349,700	no limit	\$101,469.25 plus 35% of the amount over 349,700

Schedule Y-1 — Married Filing Jointly or Qualifying Widow(er)

If taxable income is over-	But not over-	The tax is:
\$0	\$15,650	10% of the amount over \$0
\$15,650	\$63,700	\$1,565.00 plus 15% of the amount over 15,650
\$63,700	\$128,500	\$8,772.50 plus 25% of the amount over 63,700
\$128,500	\$195,850	\$24,972.50 plus 28% of the amount over 128,500
\$195,850	\$349,700	\$43,830.50 plus 33% of the amount over 195,850
\$349,700	no limit	\$94,601.00 plus 35% of the amount over 349,700

Schedule Y-2 — Married Filing Separately

If taxable income is over-	But not over-	The tax is:
\$0	\$7,825	10% of the amount over \$0
\$7,825	\$31,850	\$782.50 plus 15% of the amount over 7,825
\$31,850	\$64,250	\$4,386.25 plus 25% of the amount over 31,850
\$64,250	\$97,925	\$12,486.25 plus 28% of the amount over 64,250
\$97,925	\$174,850	\$21,915.25 plus 33% of the amount over 97,925
\$174,850	no limit	\$47,300.50 plus 35% of the amount over 174,850

Schedule Z — Head of Household

If taxable income is over-	But not over-	The tax is:
\$0	\$11,200	10% of the amount over \$0
\$11,200	\$42,650	\$1,120.00 plus 15% of the amount over 11,200
\$42,650	\$110,100	\$5,837.50 plus 25% of the amount over 42,650
\$110,100	\$178,350	\$22,700.00 plus 28% of the amount over 110,100
\$178,350	\$349,700	\$41,810.00 plus 33% of the amount over 178,350
\$349,700	no limit	\$98,355.50 plus 35% of the amount over 349,700

Reviewed 25-NOV-2007



2008 Inflation Adjustments Widen Tax Brackets,

IR-2007-172, Oct. 16, 2007

WASHINGTON — For 2008, personal exemptions and standard deductions will rise, tax brackets will widen and workers will be able to save more for retirement, thanks to inflation adjustments announced today by the Internal Revenue Service.

By law, the dollar amounts for a variety of tax provisions must be revised each year to keep pace with inflation. As a result, more than three dozen tax benefits, affecting virtually every taxpayer, are being adjusted for 2008. Key changes affecting 2008 returns, filed by most taxpayers in early 2009, include the following:

- The value of each personal and dependency exemption, available to most taxpayers, is \$3,500, up \$100 from 2007.
- The new standard deduction is \$10,900 for married couples filing a joint return (up \$200), \$5,450 for singles and married individuals filing separately (up \$100) and \$8,000 for heads of household (up \$150). Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions and state and local taxes.
- Tax-bracket thresholds increase for each filing status. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent bracket from the 25-percent bracket is \$65,100, up from \$63,700 in 2007.
- The maximum earned income tax credit for low and moderate income workers and working families with two or more children is \$4,824, up from \$4,716. The income limit for the credit for joint return filers with two or more children is \$41,646, up from \$39,783.
- The maximum Hope credit, available for the first two years of post-secondary education, is \$1,800, up from \$1,650 in 2007.
- The income limit for the savers credit is \$53,000 for joint filers (up \$1,000), \$39,750 for heads of household (up \$750) and \$26,500 for singles and married persons filing separately (up \$500). Low and moderate income workers who contribute to a retirement plan, such as an IRA or 401(k), may qualify for the credit, which is available in addition to any other tax savings that apply.
- The contribution amount allowed for Roth IRAs begins to phase out for joint filers with incomes exceeding \$159,000 (up from \$156,000) and \$101,000 (up from \$99,000) for singles and heads of household.
- For contributions to a traditional IRA, the deduction phase-out range for an individual covered by a retirement plan at work begins at income of \$85,000 for joint filers (up from \$83,000) and \$53,000 for a single person or head of household (up from \$52,000).
- Participants in most employer-sponsored 401(k) plans and 403(b) plans for employees of public schools and certain tax-exempt organizations can contribute up to \$15,500, unchanged from 2007. Individuals, age 50 or over, can make an additional contribution of up to \$5,000, also unchanged from 2007.
- Individuals participating in SIMPLE retirement plans can contribute \$10,500, unchanged from 2007. Those, age 50 or over, can make an additional contribution of up to \$2,500, also unchanged from 2007.
- The annual contribution limit for most defined contribution plans rises to \$46,000, up from \$45,000 in 2007.

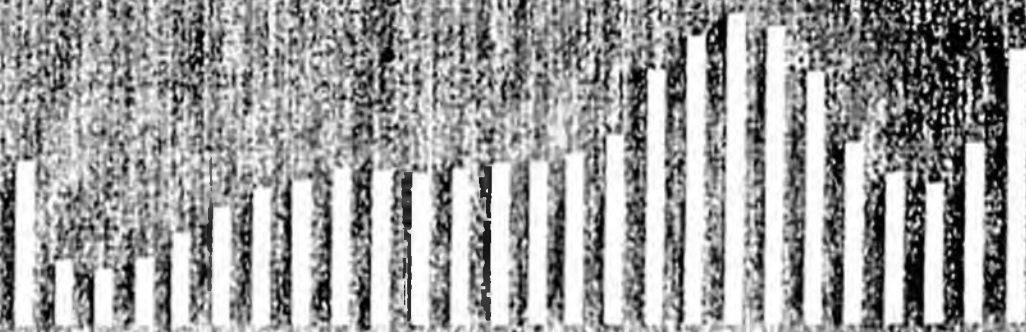
More information about the personal and retirement plan related changes can be found in IR-2007-171, www.irs.gov/press/ir2007-171, and IR-2007-172, www.irs.gov/press/ir2007-172.

Related Items:

- [Revenue Procedure 2007-66](#)
- [IR-2007-171](#), IRS Announces Pension Plan Limitations for 2008

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Permanent Fund Dividend Division 2007 Annual Report



State of Alaska
Department of Revenue

Snapshot

- Amount of 2007 Permanent Fund Dividend - \$1,654
- Applications filed - 628,895
 - Adult applications - 451,022
 - Child applications - 177,873
- Total online applications filed - 420,569
- Online applications filed with eSign (electronic signature) - 276,203
- Online applications were received from every zip code in the state
- Applicants filing for the first time - 34,580
- Applications denied for being late (filing after March 31) - 2,282
- Dates for direct deposit - October 3 and 17, 2007
- Date first batch of checks issued - November 13, 2007
- Top three reasons why Alaskans were absent during the 2007 PFD qualifying year:
 - Accompanied an Alaska resident who was eligible for a PFD
 - Served on active duty in the U.S. Armed Forces
 - Enrolled as a full-time student (post-secondary education)
- Letters sent to applicants requesting additional information - 65,916
- Amount of funds assessed and PFD payments denied by the PFD fraud unit - \$3,017,283
- Percent of male applicants - 50.87% (319,935)
- Percent of female applicants - 49.13% (308,960)
- Oldest applicant on file - 104 years old
- Alaska newborn applicants (born in 2006 qualifying year) - 9,368



State BEARFACTS 1996 – 2006 Alaska

The population of Alaska in 2006 was 677,450. Its rank was 47th in the nation.

PER CAPITA PERSONAL INCOME

In 2006 Alaska had a per capita personal income (PCPI) of \$38,138. This PCPI ranked 16th in the United States and was 104 percent of the national average, \$36,714. The 2006 PCPI reflected an increase of 5.2 percent from 2005. The 2005-2006 national change was 5.6 percent. In 1996 the PCPI of Alaska was \$25,805 and ranked 9th in the United States. The 1996-2006 average annual growth rate of PCPI was 4.0 percent. The average annual growth rate for the nation was 4.3 percent.

TOTAL PERSONAL INCOME

In 2006 Alaska had a total personal income (TPI) of \$25,836,392*. This TPI ranked 46th in the United States. In 1996 the TPI of Alaska was \$15,704,172* and ranked 47th in the United States. The 2006 TPI reflected an increase of 6.4 percent from 2005. The 2005-2006 national change was 6.7 percent. The 1996-2006 average annual growth rate of TPI was 5.1 percent. The average annual growth rate for the nation was 5.4 percent.

COMPONENTS OF TOTAL PERSONAL INCOME

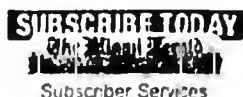
Total personal income includes net earnings by place of residence; dividends, interest, and rent; and total personal current transfer receipts received by the residents of Alaska. In 2006 net earnings accounted for 70.1 percent of TPI (compared with 69.4 in 1996); dividends, interest, and rent were 15.1 percent (compared with 17.4 in 1996); and personal current transfer receipts were 14.8 percent (compared with 13.2 in 1996). From 2005 to 2006 net earnings increased 5.7 percent; dividends, interest, and rent increased 8.0 percent; and personal current transfer receipts increased 8.4 percent. From 1996 to 2006 net earnings increased on average 5.2 percent each year; dividends, interest, and rent increased on average 3.5 percent; and personal current transfer receipts increased on average 6.3 percent.

EARNINGS BY PLACE OF WORK

Earnings of persons employed in Alaska increased from \$20,278,538* in 2005 to \$21,508,726* in 2006, an increase of 6.1 percent. The 2005-2006 national change was 5.7 percent. The average annual growth rate from the 1996 estimate of \$13,054,840* to the 2006 estimate was 5.1 percent. The average annual growth rate for the nation was 5.5 percent.

* Note: All monetary estimates with the exception of PCPI are in thousands of dollars, not adjusted for inflation.

USDOC, Bureau of Economic Analysis, March 26, 2008



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Miami Herald, The (FL)

2004-09-02

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THE MISSING DIME: BREAK AT FLORIDA PUMPS IS OVER

Associated Press

Florida motorists paid 9.4 cents per gallon less for gas on average in the final days of the monthlong gas tax break over the weekend than they did at the end of July, AAA South said Wednesday.

The estimate of how much Florida drivers saved over what they would have paid on July 31 before the tax break began was based on credit-card transactions at more than 5,000 gas stations in the state. The eight-cent cut in the gasoline tax ended Tuesday.

"Now what we expect to happen in September is that prices will go up eight cents, but not necessarily all at once," said Gregg Laskoski, a spokesman for Tampa-based AAA Auto Club South, which serves Georgia and Tennessee as well as Florida.

The club will continue to track prices so it can issue a report later reflecting prices at Florida pumps on Wednesday, the first day the state resumed collecting the full tax on gasoline.

The wholesale price of gasoline continued to fluctuate in August, and was likely down by a penny or so at the end of the month over where it was at the end of July, allowing for the savings above the 8 cents attributable to the tax cut, Laskoski said.

AAA also has kept track of the average price of a gallon of gas in Georgia and Tennessee and used a comparison formula to figure out what prices would be in Florida without the tax cut, based on historical differences between prices in Florida and those in other nearby states, which is often lower, Laskoski said.

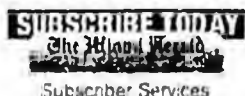
The average price of a gallon of gas in Florida on Tuesday was \$1.809, compared with \$1.769 in Tennessee and Georgia.

Using the comparison model, AAA estimated the average price for a gallon of gas in Florida without the gas tax cut would have been \$1.903 on Tuesday.

PHOTOS BY WALTER MICHOT / HERALD STAFF WHAT A DIFFERENCE A DAY MAKES: Prices at the Tom Thumb convenience store pumps at Dykes and Griffin roads fluctuated a lot between Tuesday, left, and Wednesday, right, when the state lifted the monthlong tax break.

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STATE 'GASOLINE TAX HOLIDAY' ENDS FOR DRIVERS

ASHLEY FANTZ, afantz@herald.com

Florida motorists who enjoyed an eight-cent drop in the price of gasoline this August - even if they didn't get rich on the savings - will see gas prices return to normal today.

"My customers are definitely going to notice," said Melinda Cuasud, 22, assistant manager at the Hess station at 64th Avenue and Taft Street in Hollywood. She pointed to a small sign at the cashier's window that explained the reduction in Florida's 14.3-cents-a-gallon fuel tax.

Another sign read the discount would end today.

"A lot of them waited until [today] to come in and fill up and take advantage," Cuasud said Monday.

Maria Velez, manager of a Citgo, near the Fort Lauderdale-Hollywood International Airport, said customers were lamenting the fact that the price of gasoline was returning to normal.

"People are always asking me about it," she said. "That's what they are thinking about."

The temporary savings came at the end of a summer that saw record-breaking gasoline prices across the nation. In Florida, the price for unleaded gas has risen from just more than \$1.50 a gallon in late 2003 to more than \$2 a gallon in June 2004, according to the Florida attorney general's office.

The monthlong tax break cost the state \$60 million and came out of the state's general fund to pay for the "gas tax holiday," said state Attorney General Charlie Crist, who worked with the AAA in Florida and the petroleum industry to advertise and implement the statute.

Station owners who did not comply with the law faced a third-degree felony, punishable by \$5,000 in fines and up to five years in prison.

"Fortunately, the compliance rate was extraordinary," Crist said.

Only one station, in Pinellas County, initially ignored the law. So Crist paid a visit.

"I walked up to the clerk and told him that the state was serious, and he marched outside and changed the price [on the marquee] right then and there," said Crist, who chuckled at the clerk's reaction to his surprise visit.

The Herald visited several stations Monday and motorists emphasized how much a penny is valued these days.

"It saved me a lot," said Lori Kocsis, 35, a mother of three from Davie who filled up at a Chevron station on Sheridan Street in Pembroke Pines.

"I take my kids to school, drive to my job. I'm in the car a lot. Hate to see all this end."

If there's overwhelming support for the measure, the state may apply it again next year, said Gregg Laskoski, a spokesman for the AAA in Tampa.

"We're still trying to figure out how big the benefits were, how much people saved and so on," he said.

"Some retailers might think they lost money at the beginning of August, so they might want to recover the perceived loss," he said. But, he warned, "that could be a dicey issue when it comes to penalties the state could impose."

Ian James, owner of Sunset Chevron in South Miami, said his customers were going to be angry on Sept 1.

"I think [the tax cut] was a bad idea," he said. "We have notices at all the pumps. But people think that the prices just went down."

Other drivers shrug their shoulders at the changing price. They have no control over what they pay, as frustrated as that may make them.

"It's ridiculous! But I ain't got no choice," Marcus Allen, 29, said while filling a friend's red Honda at a Citgo station at Northwest 27th Avenue and 112th Street in North Central Dade. "I got to drive to and from work."

Allen, a landscaper, added that high gas prices have prompted his friends to joke about replacing their cars with a less expensive mode of transport.

"I say we got to get scooter bikes," he said.

Herald staff writers Trenton Daniel and Susan Anasagasti contributed to this report.

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Ten Reasons Why the \$800 Million Alaska Resource Rebate Payment (ARRP) is Not in Alaska's Best Interest

by Alaska Conservation Solutions
July 16, 2008

1) The ARRP is very expensive, and not based on a careful analysis of needs, consequences, or alternatives.

Unquestionably, \$800 million is a lot of money. Prior to appropriation, a proposed expenditure of this size demands a very thoughtful examination, including a thorough and careful analysis of needs, consequences, and alternatives. That analysis has simply not been done in the case of the ARRP.

As noted by the Fairbanks Daily News Miner, "*they (the Legislature) need to intervene cautiously by exploring all the ramifications and avoid the temptation to shovel cash willy-nilly to a public increasingly asking for help.*" (Fairbanks News Miner, July 9, 2008)

2) The ARRP will be politically difficult, if not impossible, to end so long as energy prices remain high.

We need only look at the Alaska Permanent Fund dividend program and specific entitlement programs to recognize how difficult it is to discontinue or reduce them. With fossil fuel prices projected to continue to increase, and with conservation and energy efficiency measures made to seem less urgent due to the ARRP program, our state will be in a worse position a year from now if we adopt the resource rebate approach. As our dependence on fossil fuels continues to grow, so will our economic hardships. Twelve months from now, it is very unlikely that the legislature would be able to discontinue or significantly reduce the rebate program.

As an editorial in the Fairbanks Daily News Miner further observes, "*the governor's proposal is for one year only. But what about next year and the year after that? Alaskans could come to expect the state will ride to their rescue each year. A sense of entitlement, one arising out of a principle that the state's profits from oil revenue should be shared directly with the masses, could manifest itself. An entitlement program could soon be born.*" (Fairbanks Daily News Miner, July 9, 2008)

3) The resource rebate would be subject to federal taxation, so a meaningful proportion of the state's revenues (10% to 35%) will go to the federal government.

The Governor's stated intent is to benefit Alaskans, as the owners of the state's resources. However, because the ARRP would be subject to federal taxation, a significant amount of the payout would in fact be extracted from the state. The federal tax rate is from 10% to 35%, with a large percentage of Alaskans paying

25% (Alaska's per capita income is about \$41,000, which is in the 25% bracket). Does it make sense for up to \$200 million of the state's revenues to go to the federal government in taxes? No.

4) The ARRP disrupts energy-saving responses to price signals and does not promote any positive mid- or long-term energy reduction benefits.

Price signals are crucial. As newspaper and other reports demonstrate, people throughout Alaska are taking actions now to reduce their consumption of energy in response to real-world increased fossil fuel prices. According to Goldman Sachs and others, oil could reach \$150 to \$200 per barrel by the end of the year. This is reality, and we need to adjust to this reality as soon as possible by implementing energy conservation, energy efficiency, and renewable energy options.

If invested towards these shared goals, \$800 million could represent a huge step towards a clean, sustainable and prosperous energy future for Alaskans. Dispersed to individuals, however, \$800 million will mute price signals and energy-saving responses, and potentially increase energy consumption. As State House Finance Committee Co-Chairman Kevin Meyer has noted, people can use their \$1200 to buy whatever they want, including a big screen television. *They might have been holding off on such purchases because of high energy bills, he said. "Now they can buy that TV too."* (Anchorage Daily News, June 21, 2008)

The ARRP contravenes the Governor's 2008 mission to produce "a statewide plan to reduce energy costs, promote energy conservation, and secure long term energy supply solutions for each region of the state."

Again, as the News Miner editorial observes: *"handing out money hardly encourages people to conserve energy. And energy conservation needs to be a practice instilled throughout homes and businesses in Alaska. And there's no guarantee at all that people will spend the \$1,200 payment on energy bills. The state could be giving money away only to still find people in need this winter."* (Fairbanks Daily News Miner, July 9, 2008)

5) The ARRP is not targeted.

The ARRP does not target those most in need. Alaskans are not being affected equally by high fuel prices. To cite just a few examples:

- According to UAA's Institute of Social and Economic Research (ISER), low-income families in Alaska's most remote towns and villages are expected to spend 41 cents out of every dollar they make on power and heat in 2008. In comparison, Anchorage's lowest-income households will spend about 4 cents per earned dollar on energy bills; and well-off Anchorage residents will pay just 2% of their income for home energy use.
- ISER estimates that the median annual power and heating costs for an Anchorage family is about \$2,700, compared to about \$4,900 for midsize towns and cities and \$7,600 for remote rural villages.

- If a family of four is making \$150,000 per year, and if that family's total energy costs have increased by a total of \$750 per year, should the government be providing that family an additional \$4,800 per year? As a recent news report notes, *"Some legislators, including Anchorage Democratic Rep. Mike Doogan, oppose sending everyone a check regardless if they need it. They've said it should be based on how much money a person makes and where they live."* Doogan is quoted as saying, *"Frankly, I'm not convinced everybody in Alaska needs help with their energy costs."* (Anchorage Daily News, June 21, 2008)
- The proposed \$1200 payout would be given to everyone, regardless of whether their electricity is generated by fossil fuels that have increased in price, or if their electricity is generated by low-cost hydroelectric power. It would be given to everyone, regardless of whether or not they drive any sort of vehicle. It would be given to people of all ages, from infants to the elderly, with no consideration given to an individual's actual need for such assistance.
- A family of four, no matter what its income level, does not have four times the energy costs of a single person. To give each person in the state a flat \$1200 amounts to a much greater windfall for those whose energy expenses are already lower because they are shared with other household members.

6) Alaskans will be receiving their Permanent Fund Dividend checks in the fall, and can apply some of this income to their energy expenditures, especially since the amount of the dividend is anticipated to increase and the check arrives before winter. Moreover, the distribution of two state checks (the PFD and the ARRP) within a short period of time could have undesirable social consequences.

The 2007 PFD payout was \$1,654, and the 2008 distribution is expected to be higher. For a family of five, the PFD payout in 2007 was \$8,270. It will be closer to \$10,000 this year. Some of these revenues can be used for energy cost relief for this fall and winter. If passed, the ARRP would be arriving at approximately the same time when individuals and families are already receiving PFD checks from the state.

The Voice of the Times observes, *"we object in principle to another free-money program...the state's dollar giveaways also tend to bring new people to the state, people whose primary motivation is not to become Alaskans but to get the free checks."* The VOT also notes, *"we will be surprised if many legislators have the courage to vote against it."* (Voice of the Times, June 20, 2008)

7) The ARRP will be negatively perceived in Washington, DC, with potentially adverse and costly consequences.

All states are suffering from higher fuel and other costs; Alaska is not unique. There are many issues before Congress that can either benefit Alaska or not, including sharing of off-shore oil revenues, appropriations, and allocations under a Lieberman-Warner or similar bill. If Alaska is perceived as "awash in money" and "just giving it away" this could have serious, expensive consequences to individuals and the state as a whole.

"It could be harder for Alaska to get federal assistance for projects and programs if people in the Lower 48 think the state is the spoiled rich kid on the block, legislators said." (Anchorage Daily News, June 21, 2008)

8) Common resources should be invested for the common good.

The source of the funding for the ARRP payments is the surplus the state is receiving because of high oil prices and last year's oil tax increases. As such, this surplus is community property, and for logical, civic, and moral reasons it should be invested in community projects, rather than as a windfall bonus to individuals. The state has many serious needs that the surplus could effectively address.

Referring to the proposed special dividend, Rep. Mike Doogan notes, "The resources are owned in common, not individually, and the revenue is to be used to pay for government goods and services." (Anchorage Daily News, July 13, 2008)

9) The ARRP communicates, by example, a series of bad messages to other states and nations, as well as to future generations; it is short-term, expensive, entitlement-inducing, non-targeted, and unfair.

How we address the current situation is a teachable moment for our children. Will we adopt a short-term, expensive, entitlement-inducing, politically-opportunistic, non-targeted, and unfair approach? Or will we provide focused assistance that accomplishes numerous short-, mid- and long-term goals? We have an option and an opportunity, either to benefit our children's future or not. Which will it be?

10) There are many better ways to provide short-, mid- and long-term energy cost relief to Alaskans.

It is important to note that Governor Palin herself is relying on others to refine and improve her energy cost relief proposal: *"Lawmakers will be expected to provide better remedies, better solutions." (Juneau Empire, June 22, 2008)*

The attached Energy Relief Savings and Efficiency Plan (ERSEP) would help Alaskans transition promptly and cost-effectively to the realities of substantially increased fossil fuel prices. The ERSEP provides numerous suggestions for win-win solutions that will quickly save Alaskans money through energy conservation and energy efficiency. All of these strategies will result in lower energy use not only in the short-term, but also in the mid- and long-term, thus saving Alaskans money for years to come. In addition to the monetary benefits from reducing our fossil fuel energy use, there are many other advantages, including energy security and independence, decreasing our carbon footprint, reducing emissions of other pollutants, and improving our health.

As Rep. Harry Crawford has said, Palin's new plan... lacks enough emphasis on providing long-term, affordable, renewable energy for Alaskans such as hydroelectric, geothermal and wind power. "This \$1,200 is not going to make a long-term difference in their lives." (Anchorage Daily News, June 21, 2008)

But the prudent investment of this \$800 million could.

Alaska House Finance Committee
Hearings on HB's 4002, 4003, 4004, 4005 and 4006
July 26, 27 and 28, 2008

Julie Kitka
President, Alaska Federation of Natives

My name is Julie Kitka. I am President of the Alaska Federation of Natives. AFN is the largest and oldest statewide Alaska Native organization in Alaska. Its membership includes the 13 regional Native corporations, 12 regional non-profits that contract and run federal and state programs and over 200 villages and tribes throughout the State.

I would like to preface my comments today by noting that Alaska Natives are committed to working with the state and federal governments and private sector partners, to help meet the energy needs of Alaska and the nation. As major landowners, we have resources which can be developed; as owners of major corporations, we have the management capacity and organizational reach to work with the federal and state governments and other major private sector investors to create new sources of energy. Our federally recognized tribes, our regional housing authorities, our regional tribal consortiums have a strong interest in being part of the solution of obtaining affordable energy - for the purpose of maintaining our unique way of life here in Alaska, and helping to meet our national energy needs. We know that our country needs to become more energy self-sufficient and less dependent on foreign oil. We are also aware that global competition for energy resources, especially from China, India and other rapidly developing countries impact our lives today and will continue to do so in the future. The hard truth is that the US is faced with tremendous energy challenges, and the cost of fossil fuels is not likely to return to the levels we enjoyed in the 1980's. Energy companies, policymakers and consumers all have their roles to play in creating a new energy future for Alaska and for the United States.

But first, we must stabilize energy costs and provide immediate relief for individuals, families and communities who are hard hit and unable to pay the current high energy costs. Our communities must not be allowed to collapse under the extremely high costs in every sector of our lives. From home heating costs, to electricity, to transportation, to food costs - the collective impacts of higher prices are overwhelming our ability to make ends meet. Not everyone is fortunate to have a high paying job. Not everyone has the resources to pay higher costs and not flinch. Many Alaskans are being hurt right now, and we cannot afford to ignore the dangers right before us.

As U.S. citizens, living in the richest, most powerful country in the world, we Alaskans cannot sit quietly while economic lifelines are cut and schools and health clinics are in danger of collapsing. We cannot allow billions of dollars of windfall energy revenues flow into the State of Alaska's coffers - just to be put away for a rainy day. If this is not a rainy day, then what is?

We are experiencing rapid change right now. Most likely, the whole U.S. economy, including Alaska's economy, will be totally restructured by these high energy costs. What was an adequate response yesterday is not adequate today. We will need all Alaskans working together to overcome the magnitude of these changes. We will need to understand the economic drivers and how they will change many other aspects of our economies. But make no mistake, we must act today.

There are many things the Alaska Legislature can do in this special session. In our testimony, we have grouped our recommendations into two areas: (1) immediate relief and (2) investment in Alaska. Both can be accomplished this summer in this Special Session. And both need to be accomplished if we are to address the real needs of this beautiful state and its people.

Collectively, we have considerable reserves of oil, gas, coal and hydroelectric power. According to a recent ISER Report, employment in the petroleum industry reached a new high in 2007 and will continue to be strong. New companies could be attracted to Alaska, and pressure to open more land for oil and gas development will intensify. However, the current and unprecedented oil prices are causing extreme hardship for Alaska's families, especially those who live in rural areas. Rural Alaska has some of the highest per capita power and fuel costs in the U.S. As a consequence, bush communities are experiencing an energy crisis the likes of which we have never seen before.

Our rural communities are not on any power grid and are dependent on petroleum for three major uses – space heat (homes, public buildings and businesses); transportation (aircraft, snow machines, outboard motors, four-wheelers); and electricity for lighting and appliances). Fuel oil prices in some villages have gone as high as \$11 per gallon; and in the winter months, a village home can use four or five 55-gallon drums of oil for heating each month. This equals \$2,000 per home/per month in Arctic Village, \$1,650 in Hughes, and \$1,375 in Iliamna. These prices cannot be met - now or over the long term. Just as significantly, everything in our villages is affected by the high cost of fuel, even more so than in our cities because of the economies of scale of serving remote locations. Groceries, toothpaste, medicine, diapers, clothes, lumber, automobile and truck parts – *everything* - has gone up in price. This is devastating to individuals and small businesses; especially when wages have not gone up in decades. As an example, air cargo prices in one area jumped another 32% just last month after previous increases.

So, while Alaska's coffers are filled by high oil prices, its families, especially those in rural communities, are suffering. In May 2008, the AFN Board of Directors adopted a resolution calling on Governor Palin and the Alaska Legislature to address this growing crisis by adopting a long-term energy plan – one that covers every region of the State and which has an overall goal of equalizing energy costs for all Alaskans. We believe a multi-faceted approach must be taken – one that provides reliable, sustainable and affordable energy to all Alaskans; that encourages conservation; and that promotes economic development opportunities in the process.

Over the course of the summer, AFN's Energy Workgroup met to discuss various options for addressing the growing energy crisis in Alaska. It developed a matrix of short-term and long-term actions that could be taken by the state and federal governments, by individuals and by private industry. I will provide the Committee with a copy of our matrix of ideas, but today I would like to focus on what emerged as our top five recommendations:

1. Strengthen the Power Cost Equalization Program by fine-tuning its mission, adding more resources and expanding the eligibility requirements. AFN supports HB 4003, which would provide increased funding for PCE. Additional funding is critically needed to cover the short-fall expected this year, as a result of the rising cost of fuel. We also recommend statutory changes to the program that would maximize assistance to rate payers - including making schools, health clinics and businesses eligible; (2) increasing the household limit from 500KWh per month to the national average of 750KWh; and (3) increasing the current PCE entitlement ceiling. Right now, the PCE entitlement is limited to payments for power costs of above a minimum of 12 cents per KWh and less than 52.5 cents per KWh. The current ceiling of 52.5 cents per KWh was set in 1984, 24 years ago. Fuel prices have skyrocketed since then - so that now 54 of 193 communities eligible for the program are either above, or within 4 cents of, the ceiling. Making schools, health clinics and businesses eligible is important because it will focus energy help where it is needed, help keep down inflation, ensure that health and education funding goes to those purposes; and increase the viability of many struggling businesses in rural Alaska. Even with PCE, the cost of electricity in PCE communities is on average 38% higher than the Anchorage/Fairbanks/Juneau weighed average.

2. Buy down debt of rural utilities in order to reduce costs passed on to consumers - and include a price cap on fuel stock purchased prospectively, with a mechanism for reimbursement from the State for costs in excess of the cap. Most rural utilities generate their power with diesel fuel. According to the Alaska Energy Authority, the cost of diesel fuel for most of these, even at 2007 prices, amounted to close to 50% or more of the cost of providing power. With the increase in fuel prices in 2008, rural utilities will find it difficult to operate and maintain power plants, tank farms and distribution lines -- not to mention their insurance, interest on long-term debt, taxes and general administrative costs. The Alaska Village Electric Cooperative (AVEC), for example, serves 53 villages in rural Alaska, communities that have the lowest per capita cash incomes in the State. Because of the historically high cost of power, residents and businesses in these communities have been conserving power for many years, resulting in extremely low electricity consumption. AVEC purchased fuel for its power plants at an average cost of \$1.29 per gallon in 2002. In 2007, it paid \$2.93. Its 2008 deliveries will be at least \$4.60 per gallon (based on the L.A. Platt's Fuel Price Index as of May 13, 2008, reporting crude oil prices at \$132.57).

We support a program that would give relief directly to utility companies. We also propose capping the price of fuel purchased prospectively by electric utilities (AVEC has suggested a cap of \$10.00 per million BTU), which would translate to a price of about

\$1.30-\$1.45 a gallon for various fuels, depending on their BTU content.) The fuel supplier would charge the utility the mandated price and bill the State for the balance.

3. Expand and support bulk fuel purchasing, transportation and cooperative purchase agreements - and contribute to the Denali Commission's bulk fuel storage program, in an effort to eliminate the storage backlog and to complete rural upgrades. Communities across Alaska are faced with the costs of storing fuel, once it arrives. Fuel tanks are expensive to buy and to maintain - and have to meet stringent government environmental regulations. Many fuel tanks in Alaska are not large enough or are in need of upgrades. The State needs to step up as a true partner with the federal government in funding for the Denali Commission's bulk fuel storage program. Being able to store more fuel should help stabilize consumer fuel prices. In addition, the State should provide grant funding to create bulk-fuel co-ops that combine purchases for utilities, schools, the state (for state facilities) and private businesses, so that individual communities, clusters of communities and/or regions can create economies of scale. \$211 million are needed to complete the backlog of bulk fuel storage tanks, which are old and unsafe; while \$198 million are needed to complete small electrical generation upgrades.

4. Provide a family fuel subsidy to help meet the immediate crisis. We also support passage of an energy rebate program. HB 4002 will provide immediate much-needed relief to families and individuals. Because the crisis is so much worse in rural Alaska, however, we believe consideration should be given to pro-rating the amount of the rebate, based on the cost of living index. According to a recent study by UAA's Institute of Social and Economic Research (ISER), people living in remote, rural communities are paying about 41% of their annual incomes on home energy use, compared to about 4% paid by people living in Anchorage. The State of Alaska's Department of Commerce, Community and Economic Development expects the price of heating oil in remote villages to rise from 30 -50% this winter. It is entirely possible that thousands of our fellow citizens will not be able to pay their energy bills this winter and still buy food and the other necessities of life without this emergency relief.

5. Make a sizable investment in projects that promote renewable/alternative energy and conservation efforts. The Legislature should take this opportunity to begin investing in alternative/renewable energy in a meaningful way. We are strong supporters of the development of alternative energy resources as an important addition to our country's fossil energy resources. Many villages in rural Alaska are actively working to develop a wide array of alternative and renewable energy projects. They see not only the potential for reducing the cost of energy, but also the tremendous manufacturing, sales and service components (e.g., the fact that wind and solar energy will need tailored products, services and alternative building materials; and the fact that plans and supplies for hybrid homes and facilities that are now being developed and manufactured abroad could be developed and manufactured in Alaska. Our larger cities are doing the same. It is time for the Legislature to dedicate funds to allow a range of initiatives, all over the state, to get underway. We suggest a minimum of \$5 billion as capital and seed funding. The idea of regional energy authorities is a good one and deserves our support.

In addition, the following recommendations deserve your attention:

(a) Invest in the University of Alaska and other institutions of higher education in order to put the best minds to work on taking new energy technologies and scaling them down to community size. A lot of new technologies are in the process of development, which can change the whole energy situation. Applied research and development is going on all over the country, and much of it will focus on large-scale energy needs. It is important that we have an institutional framework of higher education with adequate resources to assist in the development of solutions relevant to our situation in Alaska. We need applied research and development to meet Arctic conditions, and we need to scale down some technologies to meet small, remote communities' needs. The competitive edge in the world will go to those areas that have affordable energy, the best educational systems and an investment climate that is forward-thinking. We urge the Alaska Legislature to consider investing at least \$1 billion right now to ensure that our institutions are not left behind. A state without a strong university system is a state trying to navigate the future with one hand tied behind its back. This is not wise - or necessary. We should allocate sufficient funds to drive innovation and educational excellence. This, in our view, is an investment in the future of all Alaskans.

(b) Provide relief to our air carriers (large and small). We cannot let rural air carriers shoulder the high costs of energy on their own. We need to look at the various ways the State can provide incentives to keep our essential transportation and air cargo services viable. We all depend on this sector of our economy, and we must do whatever we can to ensure its continuation.

In conclusion, it is critical that the Governor and the Alaska Legislature take action right now. We need immediate relief and we need a longer-term investment in our future. The time to move is now - because Alaska has the money to invest and partners willing to work with the State to develop our energy options.

TALKING POINTS IN REFERENCE TO SENATE BILL 4002/4003

"An Act establishing the Alaska resource rebate program and relating to the program; and providing for an effective date."

My name is Barb Nickels and am the Director of Community Planning & Development with Kawerak and also the Director of the Bering Strait Development Council, a State designated Alaska Regional Development Organization, more commonly referred to as a State ARDOR.

I first wish to thank the Committee for taking public testimony. Because Bills 4002 and 4003 are crucial to the rural Alaskans in my region, I have been present in Juneau for a week now to hear both the House and Senate Committees meetings and the concerns each of you have with the bills as presented and amended. I am confident in our legislative process and that Committee members will take a stance that is fair and equitable to all Alaskans.

I would first like to affirm that the ARDOR concurs with the testimony of both Julie Kitka and Robert Keith.

To be brief and to the point I am going to speak to bullet points without going in to long narrative reasoning, but I am more than willing to meet with the Committee members individually or as a group to further expound on my statements.

- **The Bering Strait Development Council supports Senate Bills 4002 and 4003.**
- **Rural Alaskans have found themselves in an energy crisis unlike anything urban Alaska or the Lower 48 have ever experienced. If the intent now for SB 4002 is resource rebate because of the wealth the State has incurred versus energy relief, it only strengthens our support that the rebate be distributed to everyone, not just the adult populations.**

As mentioned by some members on both the House and Senate Committees, there are Alaskans off the grid that are producing heat through generators fueled by diesel and are not eligible for the Home Heating Assistance program, LIHAEP or PCE credits. As well there are a number of renters who are facing increased rents to

make up the costs of higher utility bills to the landlords who are also not benefitting from these other programs. In Nome, I can speak to the fact that rents have been substantially increased, from \$100-\$200 per month depending on the size of the rental since our fuel barge arrived. This makes the \$1200 resource rebate payment to everyone even more crucial .

- The economy in the Bering Strait region is primarily subsistence based. The fuel costs have recently risen to well over \$7/gallon in most of our communities and this will have a definite negative impact on the survival of community members for this coming winter.
- Our lowest income community members are spending almost 40% of their incomes to pay for heating costs. With the change to the Bill to include this payment with the PFD, this could be detrimental to our rural population. Most have large fuel balances from last year's heating costs that will need to be paid down before they can receive fuel for this winter. A large majority of our rural community members receive their PFD's in the form of a paper check because they have no bank accounts. This will mean their resource rebate dollars could be delivered as late as late November. The original intent to this bill was to be able to provide monies with 30 days of the bill passing, by September, so that fuel tanks could be filled and ready for the winter months.
- According to an ISER study on Fuel Costs and Migration, the conclusion is that fuel costs matter – a lot – but do not seem to be definitive drivers of migration because migration trends are related to earnings. I interpret mean that the people hardest hit are the least able to afford to move, therefore they are paying the higher costs for fuel but are having to eliminate other basic necessities. However... people are moving during the coldest winter months when they can absolutely no longer afford to fill their tanks.
- The effect of people temporarily out-migrating will have a negative effect on both our urban and rural educational systems, not to mention the infrastructure that is not in place for a large out-migration. Our school systems receive State funds based on a

formula derived from a student count in October. Our villages, as well as other areas in the State, see much higher energy costs after October. It has been evidenced that people move to Anchorage, Nome or other hub areas temporarily to live with relatives during these high energy cost months the last couple of years. What this means to our education system is: those schools who have an influx of students have an increased student: teacher ratio, less dollars are available per student during the winter months, quality education is reduced, and our individual student's educations are interrupted by moving from one school to another in one school year.

- The Bering Strait ARDOR provides planning assistance to our communities to develop their Local Economic Development Plans and from there a regional Five-year Comprehensive Economic Development Strategy is developed. As we update these plans, alternative energy and other energy solutions are top priorities in all of our communities and many have spent their own funds to initiate studies and to implement some plans. However, in order to bring these plans full circle – local, regional and then State, we are missing a key factor: a State economic development plan of which energy will play a huge role.
- There are many alternative and conservation efforts being made in our region. The Bering Straits Native Corporation has installed one of the largest solar panel systems on their building, after realizing that the obvious conservation steps were just not enough. Also the Bering Straits Native Corporation and Sitnasauk have partnered to develop an 18 windmill farm and have used over 6 million of their own monies. Our Shaktoolik Native store has also funded two windmill projects and there are many individual efforts being made as well.
- The ARDOR has hosted two Energy Summits in the past two years and are working towards developing data and implementing studies to further these efforts throughout the region. So, rural Alaskans are not just sitting back – we know we are in crisis and want to do as much as we can to help ourselves but we also need the State's immediate assistance.

- One issue that we had supported, that is now missing from the Bill.... and that was highly promoted during AEA's visits to communities.... is the buy down of rural utility debt that will lower rates to customers. During the House Committee meeting there were discussions regarding whether a tax would be assessed to the individual customer if this option was implemented. There was not a definitive answer established on the tax issue that I am aware of. If there is not a definitive answer - let's get one before we delete this option.
- It is evident that a long-term solution is imminent and the Bering Strait ARDOR is totally supportive of and is currently assisting in researching alternative energy solutions and conservation efforts for our region; however help is needed NOW for mere survival this coming winter for our community members and fellow Alaskans.

I would like to conclude by saying that I am extremely proud to be a part of a unique, rural community, challenges included, and I am even more proud to be part of a region that is willing to step up to the plate and take the initiative to assist ourselves through the private sector, as well as asking the State for assistance to work towards long term alternative energy solutions. We urge you to pass these bills at the full \$1200 for every owner of Alaska. Thank you.

Barb Nickels, Director
Bering Strait Development Council (ARDOR)
PO Box 948
Nome, AK 99762
907/443-4248

**The Energy Relief Savings and Efficiency Plan (ERSEP)
or
A Better Approach to Addressing Alaska's Energy Needs in the
2008 Special Session**

by Alaska Conservation Solutions
July 16, 2008

Alaska is at a critical fork in the road. High energy prices are creating both budget surpluses and individual hardships. In response to this situation, we can implement a thoughtful, comprehensive strategy that has both immediate and long term benefits, or we can make the problem worse. If we simply subsidize fossil fuel consumption by all Alaskans, this will increase our dependence on foreign supplies, create inequities, fail to address the root causes of the problem, and establish a massive subsidy that will be virtually impossible to undo in the future. On the other hand, there are numerous strategies that can provide immediate, mid- and long-term relief to high energy prices and simultaneously reduce our demand for fossil fuels. This is the responsible path to the future.

I. Addressing Utility Costs

As Alaskans face rising utility costs, residents are looking for relief. The state can provide a path to reduced monthly bills and long-term energy security. To provide relief without leadership on energy conservation and energy efficiency would be short-sighted, as energy cost relief would only treat the symptom and not the underlying challenge.

Alaskans can significantly lower their energy bills by implementing immediate state-assisted energy conservation measures. The public's response in Juneau to their energy crisis demonstrates this clearly. Virtually overnight individuals and businesses in Juneau adopted multiple conservation measures, and energy consumption dropped by approximately one-third. For example, on Tuesday April 15, prior to the avalanche, Juneau consumed 1,006 MWh, while on Tuesday May 6, after the avalanche, Juneau consumed 660MWh.

There is a need for more public education on energy conservation measures, and, in some cases, implementation assistance. Some energy conservation measures are not universally understood, such as the energy savings achieved from unplugging appliances not in use. A 2000 study by the University of California and Lawrence Berkeley National Laboratory indicates that eliminating this "standby electricity" could save households between 6 and 26 percent on their average electricity bill. It is estimated that "phantom" appliances use about 450 kWh per household annually. Other energy conservation strategies may require additional education, such as how and why to reduce the thermostat setting on a water heater. Notably, each 10°F reduction in water temperature results in 3%-5% savings in energy costs.

Alaska Conservation Solutions proposes at least seven areas in which appropriations represent wise investments that will help Alaskans immediately lower their utility bills:

1) Effective Public Education Program

Immediately establish an Alaska Energy Conservation Education Coordinator position and program within Alaska Energy Authority. This position would work with utilities, the media, key organizations and others to educate the public on ways in which consumers can reduce their energy use quickly and efficiently. Among other immediate projects, this program could modify and expand a state-wide, web-based Alaska Energy Reducer, which would provide quick, practical ways to reduce consumption. It could also work with the media to produce statewide Public Service Announcements on energy reducing strategies; and with key housing and other organizations like RuralCAP, as well as local governments. Printed materials, including posters, would also be utilized.

(Appropriation: \$800,000.)

1a) Alternative: An alternative strategy would be to provide an \$800,000 grant to an existing entity outside of state government, to provide the services described above.

2) Metering and Utility Education Program

Provide money to utilities to educate their consumers and distribute home metering devices. Studies show that when consumers can see how much energy they are using and from what sources, they are better able to reduce their energy consumption. Providing utilities with metering devices, and having utilities distribute them along with energy conservation recommendations, would produce significant results. For example, after meters were installed in the City of Saint George, demand was reduced and the utility realized a 15% savings on fuel (AHFC 6/19/07).

(Appropriation: \$500,000 to the highest cost areas, utility educational efforts, and other outreach.)

3) Juneau Study and Lessons Learned

Fund a study to examine quickly how Juneau reduced its energy consumption by approximately one-third. This study would document the strategies and lessons learned. The results of this study would be promptly disseminated.

(Appropriation: \$100,000.)

4) Distributing Energy Efficiency Products

Have Alaska Energy Authority (AEA) provide consumers immediate access to free or low-cost energy conservation products. This could be done either for low-income consumers or for all consumers. Such products could include: compact fluorescent bulbs (CFL bulbs use about 75% less energy than standard incandescent bulbs),

programmable room thermostats (average savings about 10%, according to AEA), low-flow showerheads (the US Department of Energy reports that quality low-flow fixtures cost around \$10-20 a piece and achieve water savings of 25-60%), plug-in power strips (facilitating the quick and easy turn-off of power to appliances not being used), and lighting occupancy sensors (artificial lighting consumes almost 15% of a household's electricity use, according to the DOE.)

There is an excellent model for doing this: The Oregon Energy Trust. This "public-purpose organization" was established by the Oregon Legislature as a one-stop shop for state energy assistance (see <http://www.energytrust.org/>.) An Alaska Energy Trust could be similarly established and housed under AEA or The Regulatory Commission of Alaska (RCA). The Alaska Energy Trust could offer conservation programs that have a proven record of reducing energy demand, such as:

- free residential and small business energy audits
- rebates (\$50-100 range) for purchasing ENERGY STAR appliances such as refrigerators, clothes washers and dryers
- rebates (\$100-200 range) for upgrades to high efficiency gas, oil and electric furnaces and hot water heaters
- free compact fluorescent light bulbs
- free energy reviews for commercial buildings, using certified energy contractors
- free programmable thermostats
- other (this is not a comprehensive list)

(Appropriation: Depends on extent of program, but could range from \$1 million to \$50 million.)

5) Assist Local Governments

There are several actions that can relatively quickly assist local governments, including schools, in saving energy. Examples include energy audits, installing more energy efficient street lighting, upgrading refrigeration units, water conservation, and upgrading and making indoor lighting more efficient.

(Appropriation: Depends on extent of program, but could range from \$2 million to \$100 million.)

6) More Efficient Diesel Generation

There are substantial energy savings to be achieved from more efficient diesel generation. The state could provide grants or no-interest loans to continue and accelerate existing efforts to retrofit inefficient rural diesel generators with the best available current technology.

(Appropriation: Depends on extent of program, but could range from \$5 million to \$300 million.)

7) Additional Measures

In addition to the above, we recommend the following short- to mid-term energy efficiency measures:

- **Training and Certification**
Provide expanded and accelerated training and certification programs necessary to implement Alaska's new weatherization, renewable energy, and energy conservation programs.

- **Revising Building Codes**

The state should fully adopt and implement Building Energy Efficiency Standard (BEES - introduced in 1985 and adopted in 1992 but not implemented) as the new state residential energy efficiency building code. BEES should be viewed as the minimal energy efficiency code, and research should be quickly conducted to see how best to build upon BEES in light of current prices, new international standards and technologies.

- **Net Metering**

Pass legislation creating a net metering system based on actual avoided costs in Alaska.

II. Addressing Transportation Costs

As gasoline and diesel prices increase, Alaskans are facing increased transportation costs. Here are four possible funding strategies that would provide Alaskans less costly alternatives as well as long-term solutions:

1) Expand Mass Transit

Bus systems in Alaska are underfunded, and provide minimal service. Providing state funding to increase bus service in larger communities, and to begin bus service in smaller ones, is a very desirable option. In the short term, the state could provide money to reduce or even eliminate fares. This strategy also creates jobs and is especially beneficial to low-income employees. Depending on the scope of program, costs could range from \$10 million to \$100 million.

2) Expand Van Pooling and Car Pooling

Van pooling systems in Alaska are underfunded. Providing state funding to acquire vans for shared rides, and/or paying for gas for van pools and car pools would promote these services. Additional staff would be needed to advertise and coordinate

van and car pools. Depending on the scope of the program, costs could range from \$5 million to \$25 million.

3) Implement Bicycle Programs

Currently some people who would like to have a bicycle for alternative transportation cannot afford one. This program would make bicycles available either for purchase or rent on needs-based criteria. Bike paths and bike routes would also be improved. Depending on the scope of the program, costs could range from \$500,000 to \$2 million.

4) Provide Efficiency Rebates

Many people want to buy new, more efficient vehicles, outboard motors, snowmobiles, and so forth. This program would provide money for such purchases. The amount of the rebate could be income-based. This program could also be available to municipalities to upgrade their fleets. Depending on the scope of the program, costs could range from \$5 million to \$50 million.

III. Power Cost Equalization Component of the Conservation Community Alternative

The legislature should fully fund and expand the Power Cost Equalization Program, as part of its approach to addressing the increased price for electricity in heavily affected communities.

First, the PCE needs to be fully funded for this upcoming year to insure that the first 500 kWhs consumed by residential customers are affordable. (In the last six months of 2007, only 89% of the program was covered.) It appears as if the program is currently underfunded by approximately 10 to 15%, a shortfall of approximately \$3 million.

Second, the PCE could be expanded to include schools and other key buildings and institutions not currently covered. The cost of this depends on the magnitude of the expansion, but could be in the range of \$1 to \$10 million.

IV. Legislative Hearings

It is appropriate for the Legislature to hold a series of hearings exploring how we can lower the burden of high energy costs on those most in need, including institutions such as schools and municipalities. The goal would be to find short-term relief that:

- does not aggravate the underlying problems (such as increasing the consumption of energy);

- is targeted to those most at need (do people making \$250,000/year really need \$100/person/month for their family?); and
- provides maximum mid- and long-term benefits.

V. Conclusion

The Governor's proposal needs careful scrutiny. What are the consequences? How much will it increase energy use? Is it equitable? Is it needed for people with high incomes? What are the political consequences of this proposal in Washington DC and other places? How would it ever be discontinued?

If the state is prepared to spend over \$800 million, we can make smart, equitable, long-lasting investments that will benefit the state for years to come, lower our carbon footprint, make us a model for others, and provide critical relief to people throughout the state, especially those most in need. We do not want to make an enormous investment in the wrong direction.

Six Reasons Not to Suspend the Motor Fuel Tax

by Alaska Conservation Solutions

July 16, 2008

1) The fuel tax suspension may not, and according to economic theory will not, actually result in lowering the price of motor fuel to the full extent of the suspension

If the State eliminates fuel taxes, will our residents benefit from the entire amount of that tax elimination? In other words, will gasoline prices, for example, decrease by the entire 8 cents of the tax elimination for the duration of the suspension? This is highly unlikely.

Alaska collects motor fuel taxes primarily from wholesalers and distributors that hold "qualified dealer" licenses issued by the Tax Division. What will prevent gasoline and other fuel vendors from increasing the cost of fuel as a result of this program? Our economy is driven by supply, demand, and the ability to pay. If the demand is higher and the ability to pay greater, economic theory and experience demonstrate that prices will increase. How much of the tax suspension will be "consumed" by higher fuel prices? This is a troubling and significant unknown.

This issue was highlighted in numerous analyses concerning the recently-tabled summertime federal gas-tax holiday proposal. The move to suspend federal gas taxes *"had no support in the White House, and virtually none in the Democratic Congress. A hundred economists, including... James Galbraith, Alice Rivlin, and the Nobelist Joseph Stiglitz, denounced it...according to the economists, it would probably do nothing more than just transfer revenue from the government to the oil companies."* (Hendrik Hertzberg, The New Yorker, May 19, 2008)

Professor Michael Dorf of Columbia University likewise noted that *"the gas tax holiday will not even lower prices at the pump by very much: the greater demand stimulated ... because of the temporary elimination of the tax will in turn tighten supplies, leading supplier. to raise prices."* (FindLaw, May 9, 2008)

It does not make sense to suspend fuel taxes in Alaska unless consumers benefit from all or at least most of the suspension - and there is no evidence that they will.

2) Alaska has the lowest motor fuel gasoline tax in the United States, according to The Tax Foundation, but it also suffers from the highest gasoline prices.

On July 15, 2008, the American Automobile Association announced that the average price of regular gas in Alaska is the highest in the nation, topping this month's list at \$4.64 a gallon. Of that, only 8 cents a gallon (a rate that has not changed since 1970) is potentially attributable to the state highway motor fuel tax.

Nationwide, there is no direct, causal relationship between fuel taxes and prices. Consider the following city comparisons, provided by the Department of Energy's Energy Information Administration:

City	State tax/gallon	Average Fuel Price (7/14/08)
Anchorage	8 cents	\$4.39
Seattle	37.5 cents	\$4.33
Miami	33.2 cents	\$4.18
Denver	22 cents	\$4.01
Houston	20.0 cents	\$3.91

In other words, fuel taxes do not "drive" prices.

A better use for some or all of the revenues from Alaskan fuel taxes would be to identify and combat the market factors that, unlike state taxation, are the true causes of soaring fuel costs in this state.

3) Just as is the case with the proposed \$1200 rebate, a fuel tax suspension will be politically difficult, if not impossible, to end so long as energy prices remain high.

We need only look at the Alaska Permanent Fund dividend program and entitlement programs to recognize how difficult it is to discontinue or reduce them. With fossil fuel prices projected to continue to increase to \$150 to \$200 per barrel, and with conservation and energy efficiency measures made to seem less urgent due to the proposed ARRP program and fuel tax suspension, our state will be in a worse position a year from now if we adopt this approach. It is very unlikely that the legislature would be able to discontinue or significantly reduce either the fuel tax suspension or the rebate program twelve months from now.

4) All vehicles impose wear and tear on Alaska's infrastructure. In keeping with cost-causer/cost-payer principles, consumers of motor fuels ought to contribute to the maintenance costs of the highways and other forms of infrastructure their vehicles use.

Maintenance costs for state-operated roads and airports are funded through the Department of Transportation. A ballpark figure for the DOT statewide road maintenance budget for FY09 is \$77 million, and for aviation maintenance another \$26 million. It only makes sense for the users of Alaska's resources, especially those who are not state residents, to contribute to the upkeep of our roads, bridges and airports.

Even though suspending the gasoline tax would have a nearly insignificant impact on the average Alaskan's household budget, it would result in a significant loss of state revenue: nearly \$30 million from highway gasoline taxes, according to The Tax Foundation and prior Alaska Tax Division Annual Reports. Moreover, Alaskans already rank 48th in the nation in terms of the amount of motor fuel taxes they pay per capita: just \$62.81 annually in FY 2006, according to The Tax Foundation. This is a negligible amount for Alaskans to be asked to contribute towards vital infrastructure upkeep.

5) Motor Fuel taxes are collected, in part, from visitors to the state. If we suspend these taxes, we lose this non-resident revenue.

Visitors to Alaska, either driving here from other states or renting cars, pay motor fuel taxes. If we eliminate this tax, we will be losing revenue from non-residents who use our roads and other infrastructure.

6) The approximately \$40 million that Alaska would forfeit by suspending all forms of motor fuel tax could be invested in public transit or other programs that would proactively reduce energy costs and greenhouse gas emissions.

Instead of suspending motor fuel taxes, the approximately \$40 million at stake could be invested in strategies that will reduce transportation costs to Alaskans in the short-, mid-, and long-term. For example, this money could be invested in expanding public transit, car pooling, and van pooling; providing loans for marine engine efficiency conversion; and expanding the use of biofuels, especially from fish waste. All of these efforts would have both immediate and far-reaching benefits, unlike the tax suspension.

BACKGROUND:

Alaska Tax Division 2007 Annual Report
State taxes on motor fuels: Total was approx. \$40m in FY2007

Highway	8 cents a gallon	\$29.4m
Marine fuel	5 cents a gallon	5.6m
Jet fuel	3.2 cents a gallon	4.1m
Aviation gasoline	4.7 cents a gallon	0.7m

Title: Estimated FY 2009 General Fund Unrestricted Revenue, at Oil Prices of \$80 - \$170 per bbl (in \$millions)

Preparer: Cherie Nienhuis, Petroleum Economist

Date: 18-Jun-08

Purpose: Provide Information to Senator Hoffman

Data Source: DOR Forecast Model

Key Assumptions: Same assumptions that were in place as of Spring 2008 forecast

History: Revised spreadsheet titled GFUR FY09 Sen_cn_20080617; added progressivity breakout and chart

Disclaimer: The Department of Revenue is in the process of reviewing and updating the data on which this analysis is based. As a result, future analysis could have different results.

The information contained in this workbook may be privileged, confidential or otherwise protected from disclosure. If you are not the intended recipient, any use, dissemination, disclosure, distribution or copying is strictly prohibited.

Estimated FY 2009 General Fund Unrestricted Revenue, at Oil Prices of \$80 - \$170 per bbl (in \$millions)

<i>ANS WC Oil Price (\$ per barrel)</i>	\$80	\$90	\$100	\$110	\$120	\$130	\$140	\$150	\$160	\$170
Unrestricted Royalties	1,934	2,188	2,442	2,696	2,950	3,204	3,458	3,712	3,965	4,219
Production Tax - Base Tax	2,133	2,687	3,240	3,794	4,348	4,901	5,455	6,009	6,562	7,116
Production Tax - Progressivity	1,126	1,900	2,851	3,979	5,211	5,997	6,827	7,701	8,620	9,583
Corporate Income Tax	563	597	631	666	700	734	768	802	837	871
Property Tax	59	59	59	59	59	59	59	59	59	59
Non-oil GF Revenue	708	708	708	708	708	708	708	708	708	708
Total Unrestricted GF Revenue	6,523	8,139	9,931	11,902	13,976	15,603	17,275	18,991	20,751	22,556

LEGAL SERVICES

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

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

July 11, 2008

SUBJECT: Alaska resource rebate program (HB 4002)

TO: Representative John Coghill
Chair of the House Rules Committee
Attn: Rynnieva Moss

FROM: Tamara Brandt Cook
Director

(1) Would the enactment of HB 4002 have an affect on the federal tax status of the permanent fund?

It does not appear that the Alaska resource rebate program has any financial connection with the permanent fund and, therefore, will not effect the tax status of that fund. The issue of the tax treatment of the permanent fund has come up in the context of converting the dividend program from a statutory program to a constitutional program. Essentially, the issue has been whether the Internal Revenue Service would find that enough of a private interest in the permanent fund is created when residents have a constitutional right to income from that fund so that some or all of the assets of the fund itself would no longer be viewed as tax-exempt public property. It is my understanding that at one point the Alaska Permanent Fund Corporation obtained advice from a tax expert concluding that there would be a substantial risk of adverse federal tax consequences if a dividend program is mandated in the constitution and no longer subject to an independent legislative evaluation each year, through the appropriation process, that the income should be used for that program rather than for another purpose. In 2004, the Attorney General obtained another review of that question by Steptoe and Johnson, LLP. That firm concluded that placing a requirement for payment of permanent fund dividends in the state constitution would result in no adverse federal tax consequences. The issue has not been addressed by the IRS.

The Alaska resource rebate program established under HB 4002 does not involve any constitutionally created right of individuals to receive money. Money for that program simply comes from appropriations, which may be from any source. In fact, the appropriation to carry out the program suggested by the Governor under sec. 3 of HB 4003 will come from the general fund rather than from the earnings reserve of the permanent fund. The only connection between the proposed Alaska resource rebate program and the permanent fund dividend program is that receipt of a dividend for 2008

Representative John Coghill

July 11, 2008

Page 2

is one of the methods for establishing eligibility for a payment under the Alaska resource rebate program.

(2) Are legal problems created by basing eligibility on criteria other than eligibility for permanent fund dividends?

Basing eligibility on criteria other than eligibility for Permanent Fund dividends does not, in itself, create legal problems. The particular eligibility requirements that apply under the proposed Alaska resource rebate program Do not appear to pose significant problems either.

Individuals who have been determined eligible to receive a permanent fund dividend for 2008 do not have to apply for a payment under the Alaska resource rebate program. Other people will also be eligible for payments if they apply within the application period, are physically present in the state on the application dates, are physically present in the state for the period from April 1, 2008, through October 1, 2008, and intend to maintain a home in the state. An individual's interest in receiving a permanent fund dividend is accorded a low level of protection under the state equal protection clause, because only an economic interest is implicated and that interest is not based on the need of the applicant. (Underwood v. State, 881 P.2d 322 (Alaska 1994)) The same is true of the proposed Alaska resource rebate program. The durational residency requirement under the proposed program is much shorter than the one year durational residency requirement that has been upheld for permanent fund dividend eligibility. (Lindley v. Malone, civil Action No. 3AN-90-2586, Superior Court, Third Judicial District, June 1990; see also Church v. State, Department of Revenue, 973 P.2d 1125 (Alaska 1999), and Schikora v. State, Department of Revenue, 7 P.3d 938 (Alaska 2000)). The physical presence requirements and proof of identification requirement are reasonably related to establishing objective evidence of residency.

I do note one wrinkle. There is a requirement in HB 4002 of proof of physical residence address. While this can be defended on the basis that the administrative value in using proof of a physical residence address to verify residency justifies the requirement, it is possible that under the right set of facts a homeless state resident or a resident who lives in a remote cabin with no address would be able to challenge this requirement as applied to him or her. If such a challenge were to succeed, the provision would be severable under AS 01.10.030 as applied to that person, so the program itself would remain valid. I note in this regard that the general test of residency set out in AS 01.10.055 includes a requirement that the person claiming residency demonstrate the intent to remain in the state indefinitely and make a home in the state "by maintaining a principal place of abode in the state for at least 30 days or for a longer period if a longer period is required by law or regulation. . . ." There is no explicit requirement that the place of abode have an address.

IBC:ljw

08-291 ljw



Institute of Social and Economic Research
University of Alaska Anchorage

Web Notes

How Would \$1,200 Per Person State Payments Compare With Increased Household Costs for Energy Use?

By Ben Saylor and Steve Colt

Note No. 3 - Revised July 11, 2008

In the face of sharply rising energy costs, Alaska's governor, Sarah Palin, has proposed to pay every Alaskan \$1,200 to help cover those increased costs. The Alaska Legislature will be considering the governor's proposal in the special session that began July 9.

How would the proposed payments—about \$3,300 for the average-size Alaska household—compare with recent increases in energy costs? We looked at that question and present our estimates here. But these truly are estimates, because there's not much current information about the types and amounts of energy Alaska households use.

As a basis for estimating increases in home-energy costs—mainly electricity and heating—we used household data from the 2000 U.S. census. That allows us to estimate changes in costs by region and income. With today's much higher costs, many households probably use less energy now than in 2000—but since we don't have current data, we had to assume the amounts of energy households consume are the same as in 2000.

We have no data on differences in consumption of gasoline or other motor fuel by region or income level—so we estimated increased household costs for gasoline only at the statewide level, assuming households buy 1,000 gallons per year. What did we find statewide?

- Alaska households overall are paying about 70% more for home-energy and gasoline now than in 2006 and 180% more than in 2000 (assuming the same energy consumption as in 2000). See Figure 1.

- Proposed state payments would cover increases since 2006 in combined home-energy and gasoline costs for 38% of Alaska households and would be less than increases for the other 62% (Figure 2).

These statewide figures mask big differences in energy costs among households by region and income. We weren't able to estimate increases in gasoline costs by region or income level, but we did estimate variations in home-energy costs.

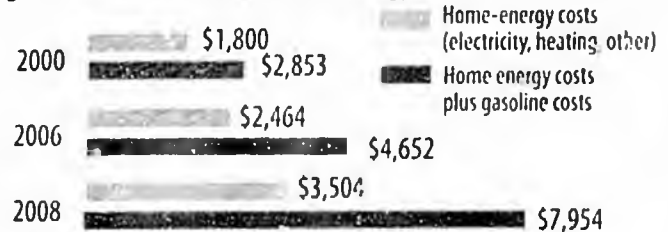
The poorest households in general spend less than wealthier households—because on average wealthier households have bigger homes and use more energy. But as Figure 3 shows, the poorest remote-rural households pay nearly twice what the wealthiest Anchorage households pay for home energy. Anchorage has access to natural gas, while most remote places rely on diesel—which on an energy-equivalent basis is much more expensive (Figure 4).

Home-energy costs in the Kenai Peninsula and the Mat-Su boroughs are higher than in Anchorage but lower than in remote places, because about half the households in those boroughs have access to natural gas.

Most households elsewhere in Alaska rely on diesel (Figure 5), and their home-energy costs vary by how severe the winters are—Fairbanks has among the coldest—and by whether they rely on diesel for both generating electricity and home-heating. Juneau and some other places use diesel for heating but have less-expensive hydro-powered electricity.

The variation in home-energy costs by region and income—as well as differences in average household sizes—mean that the effects of the pro-

Figure 1. Estimated Median Annual Energy Costs for Alaska Households



Notes: Figures are not adjusted for inflation and assume same home-energy consumption as in 2000. Also assumes all households buy 1,000 gallons of gasoline per year.

Figure 2. How Would Proposed Payments Compare with Median Increases in Energy Costs for Alaska Households since 2006?

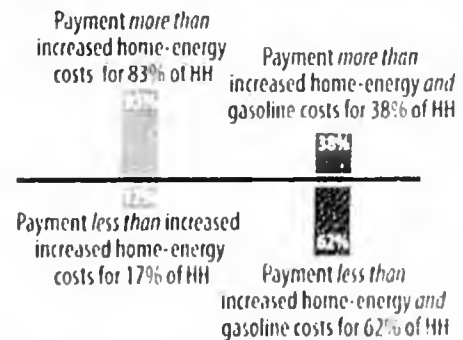


Figure 3. Estimated Median Annual Costs for Home Energy, by Region, 2008

Region	Poorest 20% of Households	Wealthiest 20% of Households
Anchorage	\$1,388	\$3,532
Kenai Pen./Mat-Su	\$2,957	\$3,946
Fairbanks/Juneau	\$2,642	\$6,342
Remote rural	\$6,317	\$10,004

Notes: Figures include costs of electricity, heat, and other home-energy uses but not gasoline or other motor fuel. Fairbanks/Juneau region also includes other road communities outside the Kenai Peninsula and Mat-Su boroughs. Poorest 20% of households are those with annual incomes of \$28,715 or less; wealthiest 20% have incomes more than \$119,777.

posed \$1,200 state payment per person would be quite different for different households. Keep in mind that these regional estimates don't include increased gasoline costs—and those increases have also been big.

- The poorest households in all regions are on average smaller than households with higher incomes—so their payments would be smaller.

- The proposed payments would cover recent increases in home-energy costs for almost all Anchorage households at all income levels. Natural gas prices have increased a lot—but not as much as diesel prices.

- For about half the remote rural households at all income levels, increased home-energy costs since 2006 outweigh the proposed payments.

- The proposed payments would cover increased home-energy costs for about 70% to 90% of households elsewhere in the state. Households in southcentral Alaska using natural gas have seen smaller increases, while Fairbanks and other places that rely on diesel have faced bigger increases.

Figures 4 and 5 explain a lot about regional differences in costs of energy. Figure 4 compares the cost of natural gas and diesel in 2007. The dollar figures are dated now, since prices have increased since then. But the figure still makes the point: diesel (fuel oil) in remote rural communities is about four times more expensive—on an energy-equivalent basis—than natural gas in Anchorage. Figure 5 then shows how Alaskans in different regions heat their houses—and in much of the state outside Anchorage, diesel is the main fuel source.

Figures 6 and 7 provide background for our estimates of how proposed state payments of \$1,200 per person compare with median increases in energy costs for Alaska households. Notice that the wealthiest 20% of households in all regions are also on average the largest—which could partly explain their higher incomes: more possible wage earners. Likewise, the poorest households are on average smaller—which also in part explains their smaller incomes: fewer potential wage earners.

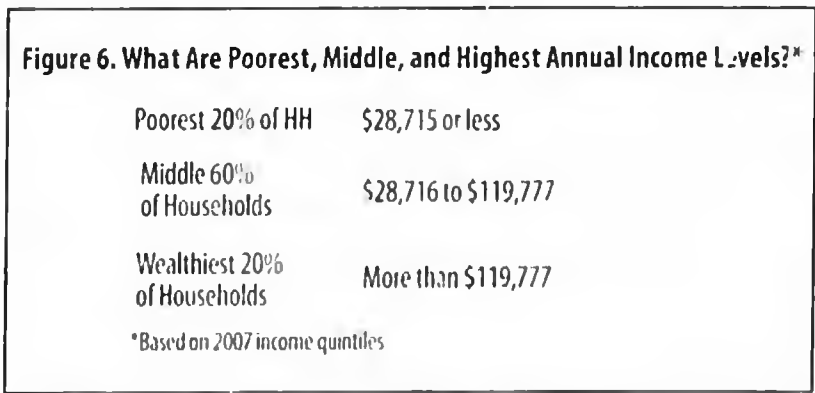
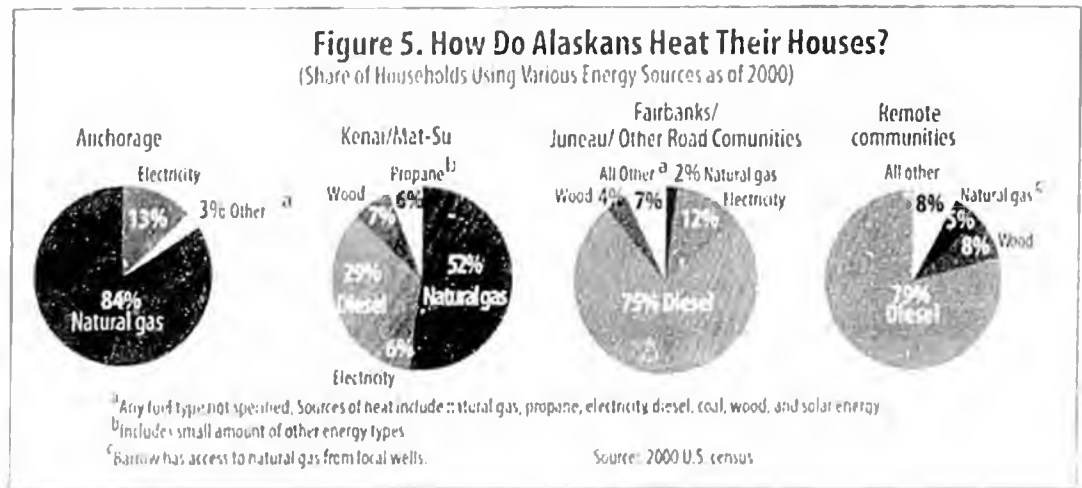
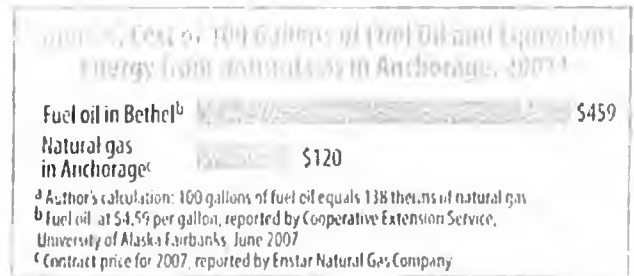


Figure 7. Average Household Size and Payment Under \$1,200 Per Person Proposal

	Anchorage		Kenai Peninsula /Mat-Su		Fairbanks, Juneau, Other Road Communities		Remote Rural		Alaska	
	HH Size	Payment	HH Size	Payment	HH Size	Payment	HH Size	Payment	HH Size	Payment
Poorest 20% of HH	1.97	\$2,364	2.01	\$2,412	1.89	\$2,268	2.44	\$2,928	2.05	\$2,460
Middle 60% of HH	2.67	\$3,204	2.86	\$3,432	2.69	\$3,228	3.40	\$4,080	2.80	\$3,360
Wealthiest 20% of HH	3.13	\$3,756	3.28	\$3,936	3.15	\$3,780	3.76	\$4,512	3.22	\$3,864
All Households	2.66	\$3,192	2.73	\$3,276	2.63	\$3,156	3.17	\$3,804	2.73	\$3,276

Figures 8 and 9 provide two detailed breakdowns of how increases in home-energy costs would compare with proposed state payments. In these figures, we look not only at increases since 2006 but also since 2000—to give a longer-range perspective. Remember that increases in costs of gasoline are not included in these regional breakdowns.

Figure 8 shows that the proposed payments would cover increases in home-energy costs since 2006 for most households, at all incomes levels, in Anchorage and the nearby Mat-Su and Kenai Peninsula boroughs. Those percentages drop somewhat when we consider cost increases since 2000.

For the region including Fairbanks and Juneau, proposed payments would cover increases in costs since 2006 for about three-quarters of households, but only about half if we consider increases since 2000.

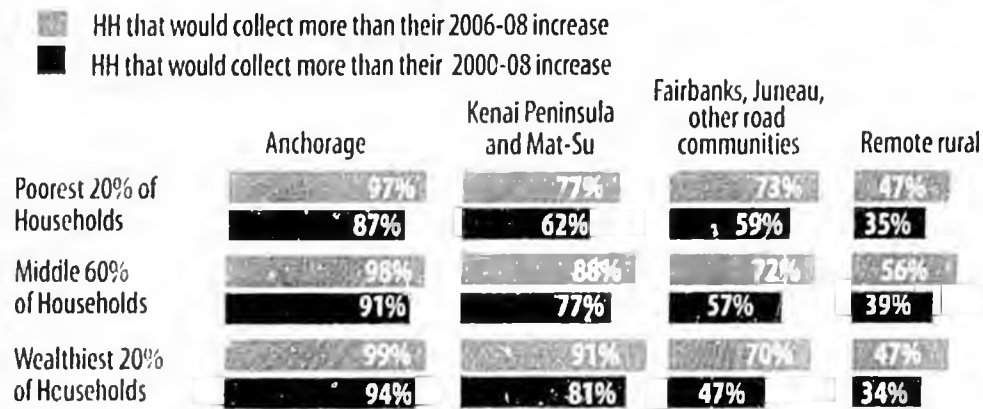
For remote rural households, the proposed payments would cover increases in home-energy costs since 2006 for about half the households. But if we take into account increases since 2000, the payments would cover those increases for only about a third of households.

Figure 9 offers a different way of looking at increases in home-energy costs versus proposed payments. It shows, for the median household in each region and at

different income levels, how much more or less the payments would be than the increases—both since 2006 and since 2000. It shows that the payments would be more than the increases in home-energy costs for the median household in most regions, both since 2006 and since 2000.

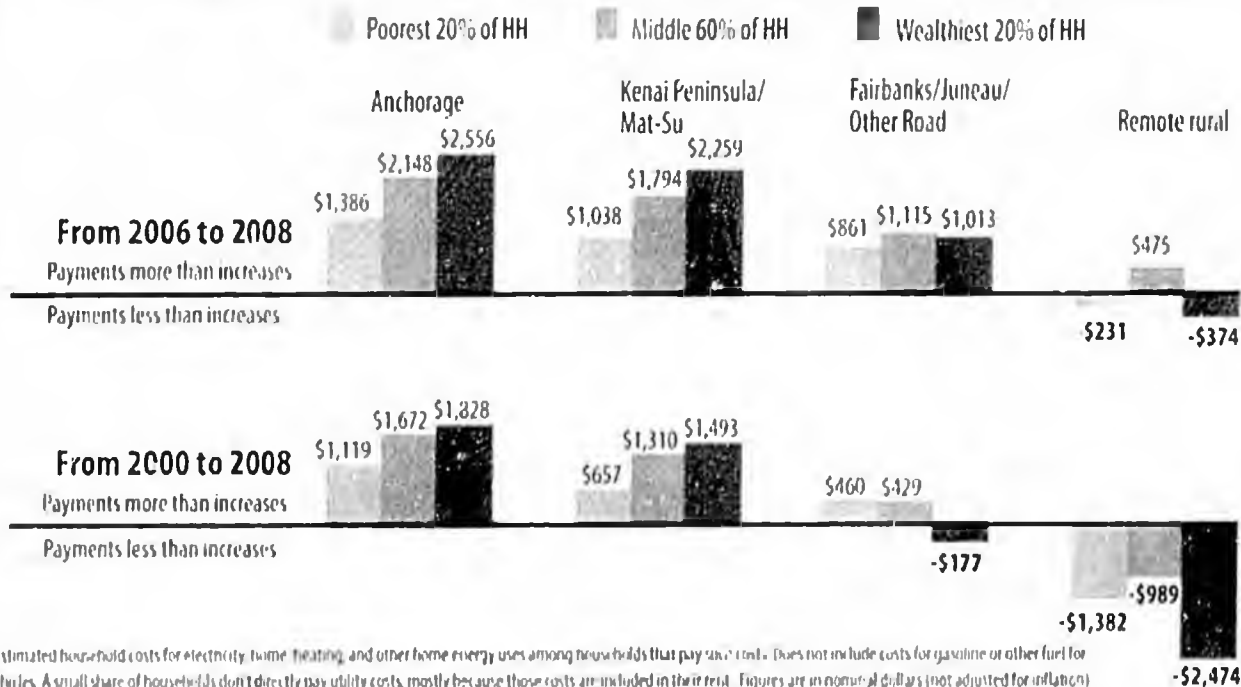
The exception is remote rural Alaska, where increases in costs would be more than the payments for both the poorest and the wealthiest households. But because the wealthier households spend so much more for home-energy, it is for the wealthiest households that the gap between payments and cost increases would be the largest.

Figure 8. What Percentage of Households Would Collect More under Proposed \$1,200 Payment per Person Than They Paid in Increases in Annual Costs for Home Energy?*



*Includes household costs for electricity, home heating, and other home energy uses for households that pay such costs. Some households don't directly pay utility costs, mostly because those costs are included in their rent. Figures are in nominal dollars (not adjusted for inflation) and assume same household consumption as reported in 2000 U.S. census. Figures do not include costs for gasoline or other fuel for vehicles.

Figure 9. Would \$1,200 Payments per Person be More or Less Than the Increase in Annual Home Energy Costs* (Excluding Costs of Gasoline) for Median Alaska Households, by Region and Income?



*Estimated household costs for electricity, home heating, and other home energy uses among households that pay such costs. Does not include costs for gasoline or other fuel for vehicles. A small share of households don't directly pay utility costs, mostly because those costs are included in their rent. Figures are in nominal dollars (not adjusted for inflation) and assume same household consumption as reported in 2000 U.S. census.

Figure 10 provides a final perspective on home-energy costs around Alaska, by showing how costs have increased for households in all regions and all income levels, since 2006 and as far back as 2000. It shows that costs were higher to begin with outside Anchorage, especially in remote areas. Diesel has always been relatively more expensive than natural gas, and diesel prices in remote places are especially high because of the costs and difficulties of getting fuel to those places.

But prices have increased much more for diesel than for natural gas—so the difference in home-energy costs has gotten much bigger. For example, in 2000 home-energy costs for the poorest households in remote areas were about 2.5 times higher than for poor households in Anchorage. But by 2008, costs were about 4.5 times higher for the poorest rural households. The biggest part of that increase has been just since 2006.

Notes about Methods of Estimation

Comprehensive 2008 price data for electricity and other home-energy uses are not yet available. We did have current data on prices of natural gas and electricity in non-rural areas. We estimated current prices of heating oil and electricity in rural areas with statistical models of the relationship between oil prices and consumer prices.

We assumed all Alaska households consume 1,000 gallons of gasoline annually. That is the best available estimate of statewide gasoline consumption. We realize that consumption certainly varies among households by region and by income level. Common sense says that wealthier households on average own more and bigger vehicles and buy more gas—and that people who live off the road system use less gasoline. We hope that in the future we can get data about how gasoline consumption varies among households in different regions and with different incomes.

To calculate home-energy costs and increases in those costs, we began with household-level data from the 2000 U.S. census—that is, data from all households that filled out the longer, more detailed questionnaire. Then, for each household:

- We estimated annual home-energy costs for 2000, 2006, and 2008.
- We calculated the increase in costs from 2006 to 2008 and from 2000 to 2008.
- We calculated the sum of \$1,200 per person, based on the reported household size.
- We calculated the difference between the cost increase and the \$1,200 per person sum.
- Finally, we took the median of that difference across all households. We believe this is the best method for estimating increases in home-energy costs—but because we started with household-level data, readers can't simply compare the difference in the aggregated numbers in various figures in this memo. (For more detail on methods, see earlier ISER reports: *Effects of Rising Utility Costs on Household Budgets, 2000-2006*, by Ben Saylor and Sharman Haley, March 2007; and *Estimated Household Costs for Home Energy Use*, May 2008, by Sharman Haley, Ben Saylor, and Nick Szymoniak, June 24, 2008. These are available on ISER's Web site: www.iser.uaa.alaska.edu)

The median is the middle value of a distribution—in this case, the distribution of Alaska households. That's different from the average—which is the sum of all the values in a distribution, divided by the number of items in the distribution. Very high or very low values can make the average considerably different from the median.

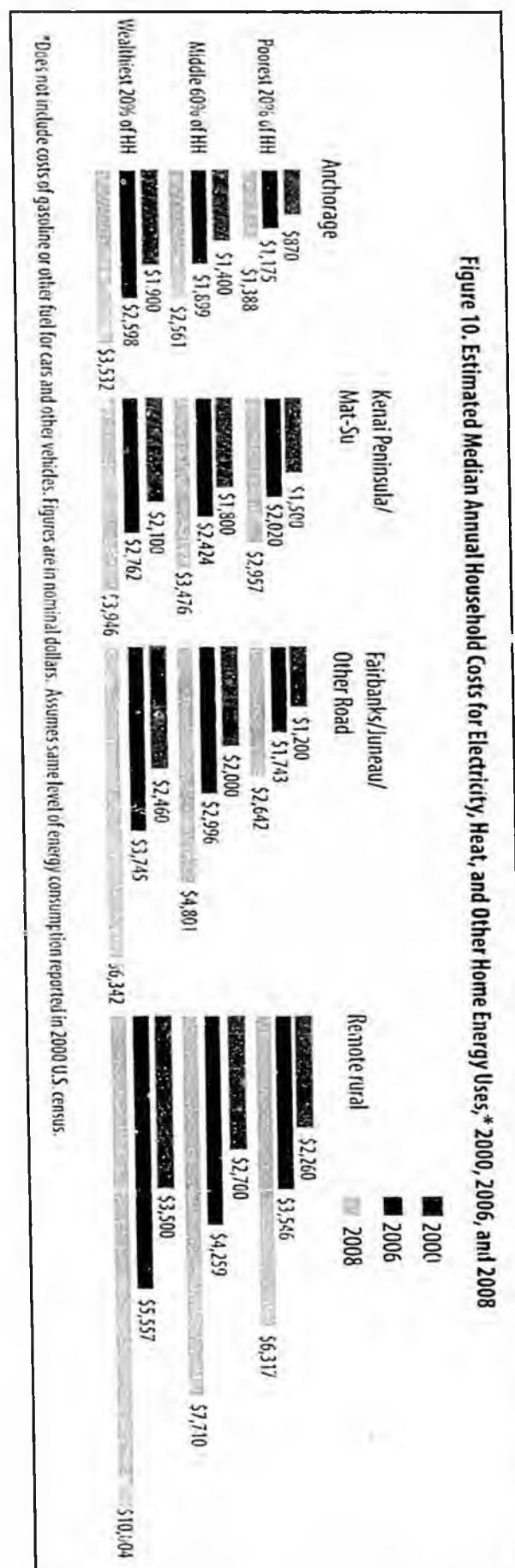


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Notes about Methods of Estimation

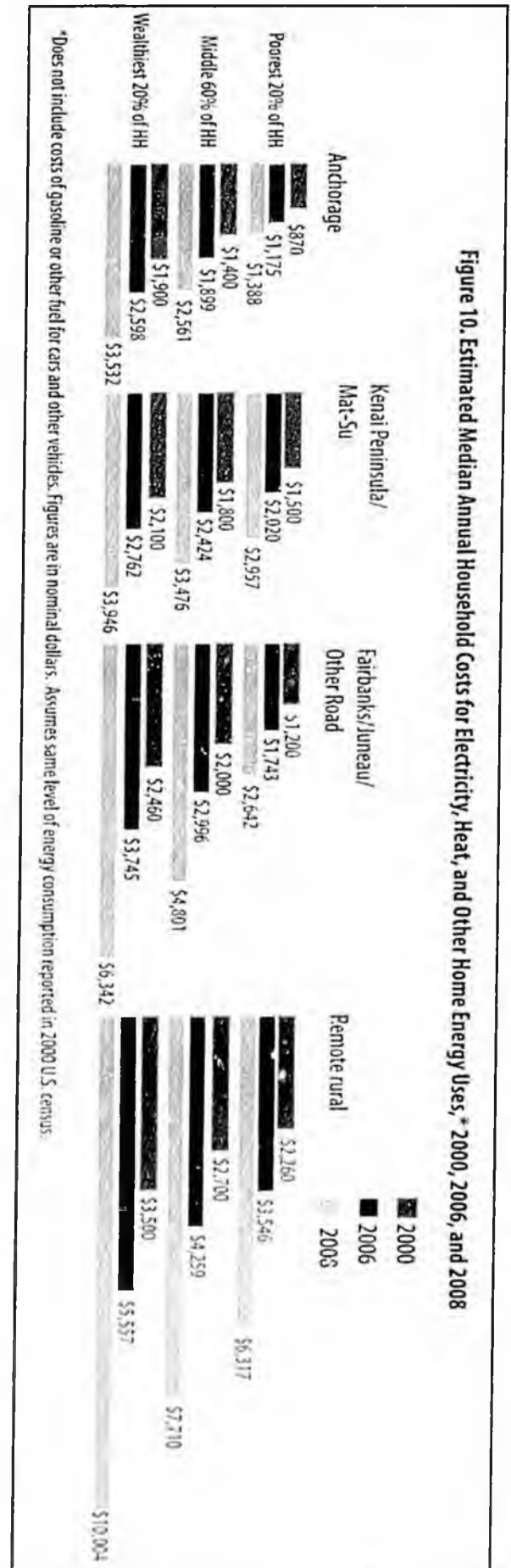
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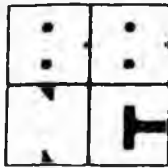
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Bristol Bay Native Corporation

Enriching Our Native Way of Life

111 W. 16th Avenue, Suite 400 / Anchorage, Alaska 99501-5109 / (907) 278-3602 / fax (907) 276-3924

Bristol Bay Native Corporation (BBNC) incorporated in 1971 through the Alaska Native Claims Settlement Act. The Bristol Bay region of Alaska is located approximately 150 miles southwest of Anchorage, encompasses 30 remote communities and has a total population of 7,485 (2005 census) of which approximately 73 % are Native. The region is comparable in size to the State of Ohio. Currently has 7,900 shareholders of mainly Yup'ik Eskimo, Aleut and Dena'ina Athabaskan descent living mainly in the Bristol Bay region and other parts of Alaska. Commercial fishing is the region's main industry where tourism and the government sector are also part of the local economy. The average cost of fuel is over \$6.00 per gallon and during shortage can peak to over \$8.50 per gallon. No community is accessible by road from major cities. In 1999, the percentage of Bristol Bay Native population below poverty level was 24% (U.S. Census).

HB 4002 and SB 4002 – Establishing the Alaska Resource Rebate Program

HB 4003 and SB 4003 – Supplemental Appropriation to the Alaska Energy Authority for Power Cost Equalization

Review of Existing Power Cost Equalization language AS 42.45.110. Entitlement to Power Cost Equalization.

(a) The costs used to calculate the amount of power cost equalization for all electric utilities eligible under AS 42.45.100 - 42.45.150 include all allowable costs, except return on equity, used by the Regulatory Commission of Alaska to determine the revenue requirement for electric utilities subject to rate regulation under AS 42.05...

(1) for sales of power to local community facilities, calculated in the aggregate for each community served by the electric utility, for actual consumption of not more than 70 kilowatt-hours per month for each resident of the community; the number of community residents shall be determined under AS 29.60.020 ; and

(2) for actual consumption of not more than 500 kilowatt-hours per month sold to each residential customer.

(c) The amount of power cost equalization provided per kilowatt-hour under subsection (b) of this section may not exceed 95 percent of the power costs, or the average rate per eligible kilowatt-hour sold, whichever is less, as determined by the commission. However,

(1) during the state fiscal year that began July 1, 1999, the power costs for which power cost equalization were paid to an electric utility were limited to minimum power costs of more than 12 cents per kilowatt-hour and less than 52.5 cents per kilowatt-hour;

(2) during each following state fiscal year, the commission shall adjust the power costs for which power cost equalization may be paid to an electric utility based on the weighted average retail residential rate in Anchorage, Fairbanks, and Juneau; however, the commission may not adjust the power costs under this paragraph to reduce the amount below the lower limit set out in (1) of this subsection;...

PROPOSED LEGISLATION AMENDING SECTION 42.45.110 (b) (2)

(2) for actual annual consumption [of] averaging not more than 500 kilowatt-hours per month sold to each residential customer.

PROPOSED LEGISLATION AMENDING SECTION 42.45.110 (c) (1)

- (1) during the state fiscal year that began July 1, 1999, the power costs for which power cost equalization were paid to an electric utility were limited to minimum power costs of more than 12 cents per kilowatt-hour and less than 52.5 cents per kilowatt-hour. The 52.5 cents per kilowatt hour is adjusted during the fiscal year each month, for monthly fiscal year to date changes in the monthly average Alaska North Slope West Coast Spot crude oil price from a benchmark of \$61.63 per barrel;

AS 47.25 IS AMENDED BY ADDING NEW SECTIONS TO READ

Article 3C. Alaska Heating Cost Equalization Program

Sec. 47.25.xxx The Alaska heating cost equalization program is established in the Department of Health and Social Services to provide for an annual home heating cost equalization for Alaska residents with heating costs higher than the average heating oil costs of residents of Anchorage, Fairbanks, and Juneau to the extent funds are appropriated by the legislature of that purpose

Sec 47.25.xxx An individual is eligible for home heating cost equalization under the Alaska home heating assistance program if the individual

1. is a resident of an area of the state with home heating costs higher than the average cost in Anchorage, Fairbanks and Juneau;
2. is physically present and resides in a home in the state when home heating costs are incurred;
3. meets other eligibility requirements specified in regulation adopted under AS 47.25.62

Sec.47.xxx Annual home heating cost equalization

- (a) The annual home heating cost equalization payment is calculated as the difference between the cost of 500 gallons of diesel heating fuel paid by a qualified household as measured in british thermal units (Btu's) and the average cost of the same quantity of btu's in the communities of Anchorage, Fairbanks, and Juneau averaged over the months of July, August and September of the year in which the heating fuel is purchased.
- (b) The Department shall establish the requirements for applying for and receiving the home heating cost equalization payment

For Additional information contact:

April Ferguson
COO & General Counsel

aferguson@bbnc.net
(907) 360-7599 or 529-9719

Jason Metrokin
Director Shareholder and Corporate Relations

jmetrokin@bbnc.net
(907) 278-3602



Alaska Power Association
703 West Tudor Road, Suite 200
Anchorage, Alaska 99503-6650
907-561-6103
Fax: 907-561-5547
www.alaskapower.org

July 17, 2008

The Honorable Lyda Green
State Capitol, Room 111
Juneau, AK 99801-1182

The Honorable John Harris
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Senator Green and Speaker Harris:

Alaska Power Association is the statewide trade association for the electric utilities that supply power to roughly a half-million Alaskans in communities from Barrow to Unalaska and down the Inside Passage.

The energy crisis facing Alaskans is very real. Time is short, needs are long, and no Alaska family or business is unaffected. APA appreciates the State of Alaska's recognition of the hardships and dislocations energy cost changes have had, and its initiative in addressing associated issues.

Since the proportion of energy used for power, heating, cooking, and transportation varies throughout Alaska, several concurrent approaches to energy cost mitigation are required. Solutions are complex and the state needs to consider short, intermediate and long-term investments. APA member utilities have been at the forefront of providing customer energy options and education on the demand side, and installing efficient power generation alternatives on the supply side. However, more needs to be done with respect to the immediate crisis as well as focusing on alternative and renewable energy programs and the wise use of energy.

Below, we call your attention to three critical, immediate needs that deserve particular attention. Each has an immediate and direct impact on the welfare of Alaska families.

1) Direct payments to Alaska residents:

The \$1,200 proposed resource rebate program would help all Alaska families deal with cost increases in power, heating, and transportation as their individual circumstances dictate. APA supports such a program for FY09 as it is simple to implement and administer, and it provides a degree of equity in addressing varied requirements.

2) Reduce and stabilize the cost of power throughout Alaska by capping the delivered cost of fuel to electric utilities at \$10.00 per million BTU:

A fuel price cap program would allow communities that do not benefit from access to low-cost Alaska energy resources to maintain a reasonable cost relationship to those that do while alternative energy supplies, energy audits, and demand side efficiency programs are pursued.

3) **Low-cost or no-cost financing for fuel inventories:**

This year's dramatic fuel cost increase has outstripped the financial capability of many electric utilities to pay for fuel deliveries at the time they are made — during the summer and fall months. In addition, in some areas of the state, inventory financing costs may prevent fuel suppliers from ensuring they have adequate emergency fuel supplies on hand unless utilities are willing to prepay to keep fuel stocks on hand. Unless this problem is addressed, having utility fuel at any price where and when we need it during an emergency may be impossible. We are today at a critical time in annual fuel delivery schedules and several APA members require the state's immediate help in financing fuel supplies.

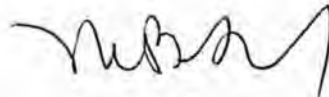
These suggestions are not intended to reflect a comprehensive or exhaustive set of recommendations from APA as energy challenges facing the state are enormous. Rather, they reflect the most pressing short-term requirements of Alaska electric utility customers.

Alaska Power Association intends to continue working with the state and other stakeholders in ensuring energy policies that make sense for all Alaska families and businesses. Thank you for considering these recommendations.

Sincerely,



Brad Reeve, APA President and
General Manager, Kotzebue Electric Association



Marilyn Leland, Executive Director
Alaska Power Association

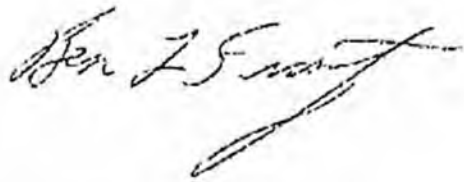
And the following members of Alaska Power Association



James M. Posey, General Manager
Anchorage Municipal Light and Power and
Secretary/Treasurer, Alaska Railbelt Energy Authority Joint Action Agency



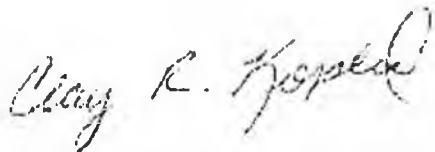
Meera Kohler, President and Chief Executive Officer
Alaska Village Electric Cooperative, Inc.



Ben Frantz, General Manager
Barrow Utilities and Electric Cooperative, Inc.



Robert A. Wilkinson, Chief Executive Officer
Copper Valley Electric Association, Inc.



Clay Koplak, Chief Executive Officer
Cordova Electric Cooperative, Inc.



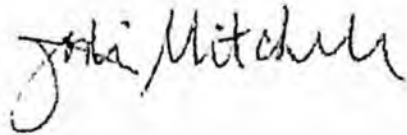
Walt Wilcox, City Manager and Utility Manager
City of Galena



Brian Newton, President and Chief Executive Officer
Golden Valley Electric Association, Inc.



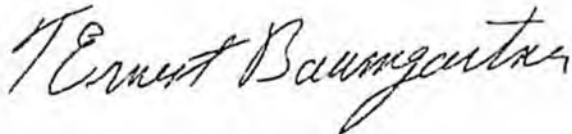
Donna Vukich, General Manager
INN Electric Cooperative, Inc. and
Naknek Electric Association, Inc.



Jodi Mitchell, General Manager
Inside Passage Electric Cooperative



Darron Scott, President and Chief Executive Officer
Kodiak Electric Association, Inc.



Ernie Baumgartner, General Manager
Middle Kuskokwim Electric Cooperative, Inc.



John K. Handeland, General Manager
Nome Joint Utility System



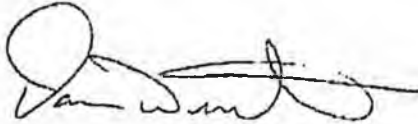
Jerry Cogdill, Power Systems Manager
North Slope Borough Power and Light



Frank Corbin, Chief Executive Officer and General Manager
Nushagak Cooperative, Inc.



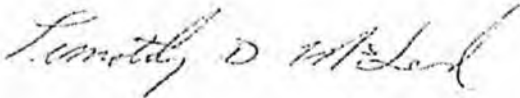
Tim Barnum, Electric Utility Manager
City of Seward



Dan Winters, Director of Public Utilities
City of Unalaska



Scott Newlun, General Manager
Yakutat Power, Inc.



Tim McLeod, President
Alaska Electric Light and Power and
Board President, KWAAN Electric Transmission Intertie Cooperative, Inc.

cc: Governor Sarah Palin
Joe Balash, Special Assistant, Office of the Governor
Lynne Smith, Special Assistant for Energy, Office of the Governor
Steven Haagenon, Executive Director Alaska Energy Authority
Senator Con Bunde
Senator John Cowdery
Senator Bettye Davis
Senator Fred Dyson
Senator Johnny Ellis
Senator Kim Elton
Senator Hollis French
Senator Lyman Hoffman
Senator Charlie Huggins
Senator Albert Kookesh
Senator Lesil McGuire
Senator Donald Olson
Senator Bert Stedman
Senator Gary Stevens
Senator Gene Therriault
Senator Joe Thomas
Senator Thomas Wagoner
Senator Bill Wielechowski
Senator Gary Wilken

Representative Bob Buch
Representative Mike Chenault
Representative Sharon Cissna
Representative John Coghill, Jr.
Representative Harry Crawford
Representative Nancy Dahlstrom
Representative Andrea Doll
Representative Mike Doogan
Representative Bryce Edgmon
Representative Anna Fairclough
Representative Richard Foster
Representative Les Gara
Representative Berta Gardner
Representative Carl Gatso
Representative Max Gruenberg
Representative David Guttenberg
Representative Mike Hawker
Representative Lindsey Holmes
Representative Kyle Johansen
Representative Craig Johnson
Representative Reggie Joule
Representative Scott Kawasaki
Representative Wes Keller
Representative Mike Kelly
Representative Beth Kerttula
Representative Gabrielle LeDoux
Representative Bob Lynn
Representative Kevin Meyer
Representative Mary Nelson
Representative Mark Neuman
Representative Kurt Olson
Representative Jay Ramras
Representative Bob Roscs
Representative Woodie Salmon
Representative Ralph Samuels
Representative Paul Seaton
Representative Bill Stoltze
Representative Bill Thomas, Jr.
Representative Peggy Wilson

AFN's Priorities for the Special Session on the Energy Crisis

Alaskans, especially in our rural communities, are experiencing an energy crisis unlike anything that we have seen in the past, and it is not likely to improve in the short-term. Oil prices are at an all-time high – in some villages the cost of fuel oil has gone as high as \$10 per gallon. A village home can use four or five 55-gallon drums of oil for heating each month during the winter months (a total of \$2,000 per month in Arctic Village, for example). With gasoline prices reaching above \$7.50 per gallon, many families and individuals are having difficulty getting to fish camp this summer in order to harvest next winter's food; and this will be true of hunting in the fall and winter months. In short, the current energy crisis threatens the very survival of our rural villages.

AFN at its May Board meeting passed a resolution urging Governor Palin and the State Legislature to adopt a long-term energy policy for the State, covering all regions of Alaska. Such a plan should have as its overall goal the equalization of energy costs for all Alaskans. It must also provide additional funding for long-term development of alternative energy resources and conservation measures and provide immediate relief through measures that will help individuals deal with the rising cost of energy.

With those goals in mind, AFN has developed a matrix that sets forth a number of ideas for addressing the current crisis and for developing long-term programs/projects that will lessen our dependence on fossil fuel. Our top five recommendations for the Governor and the Legislature are as follows:

1. Strengthen the Power Cost Equalization Program by fine-tuning its mission, adding more resources and expanding the eligibility requirements;
2. Buy down debt of rural utilities in order to reduce costs passed on to consumers and include a price cap on fuel stock purchased prospectively.
3. Expand and support bulk fuel purchasing, transportation and cooperative purchase agreements.
4. Provide a family fuel subsidy to help meet the immediate crisis.
5. Make a sizeable investment in projects that promote renewable/alternative energy and conservation. The high cost of fossil fuel is not going to go away, so we need to start investing in alternative/renewable energy now.

Public Assistance Program Descriptions
July 11, 2008

Rep. Coghill

Program	Benefit	Eligibility Criteria
Adult Public Assistance (including Interim Assistance and Old Age Assistance)	Maximum \$362/month; combined with SSI max is \$999/month	<p>The Adult Public Assistance program is designed as a State supplement to the Federal Supplemental Security Income Program (SSI). As such, it confers Medicaid eligibility to its recipients.</p> <ul style="list-style-type: none"> • Age 65, blind or disabled • AK resident • Less than \$2,000 (single) \$3,000 (couple) in assets excluding house, one vehicle, burial fund • Monthly income below \$1,183 for an individual, \$1,752 for a couple, both eligible
Supplemental Security Income (SSI)	Maximum \$637/month combined with APA max is \$999/month	<ul style="list-style-type: none"> • Age 65, blind or disabled • Less than \$2,000 (single) \$3,000 (couple) in assets excluding house, one vehicle, burial fund • Monthly income below \$637 for an individual, \$956 for a couple, both eligible
Senior Benefits Program	Monthly payment of \$125, \$175 or \$250 depending on income	<ul style="list-style-type: none"> • Age 65 • AK resident • Yearly income of below \$22,750 for an individual or \$30,625 for a couple
Alaska Temporary Assistance Program	Maximum cash benefit of \$821 for a family with 1 child, \$923 for a family with 2 children	<ul style="list-style-type: none"> • AK resident • Families with dependent children under age 18 • Child support cooperation • 60-month time limit • Participation in work activities and family self-sufficiency planning • Not more than \$2,000 in assets per household, \$3,000 for a household who has at least one member who is over 60 • Net income of not more than \$1,230 for a family with 1 child, \$1,384 for a family with 2 children
Food Stamps	Average household allotment in FY 08 was \$356	<ul style="list-style-type: none"> • AK resident • Net income of not more than \$1,065 for an individual or \$1,427 for a couple; levels increase based on household size • Not more than \$2,000 in assets per household, \$3,000 for a household who has at least one member who is disabled or over 60
Heating Assistance Program (LIHEAP – 100% federally-funded)	\$1,110/year average per household in FY08	<ul style="list-style-type: none"> • Provides help in paying for home heating costs • Annual home heating costs must exceed \$200 • Gross income at or below \$1,596 for an individual, \$2,140 for a couple (150% of federal poverty level)
Alaska Heating Assistance Program (New Program 100% state-funded)	First benefits will not be issued until November 2008.	<ul style="list-style-type: none"> • Provides help in paying for home heating costs • Annual home heating costs must exceed \$200 • Gross income at or below 150% to 225% of federal poverty level or \$2,437 for an individual, \$3,281 for a couple
Medicaid	Provides medical assistance to needy individuals and families. Basically, it is intended to provide medical coverage for needy families with children, pregnant women, and aged, blind and disabled persons.	<p>To be eligible, recipients must meet certain income and/or resource criteria. These criteria vary depending on the particular Medicaid category for which the recipient is eligible for. Generally, the Medicaid program uses income and resource criteria for the most closely associated cash assistance programs.</p> <ul style="list-style-type: none"> • The eligibility criteria for families with children and pregnant women are based on the eligibility criteria used for the Alaska Temporary Assistance program except DKC. • Eligibility criteria for aged, blind, and disabled persons are based on eligibility criteria used for the Adult Public Assistance program.

Chronic and Acute Medical Assistance	Provides emergency medical coverage for persons who do not qualify for Medicaid	<ul style="list-style-type: none"> • Age 18 or older • Lack of other medical resources • Covered medical needs only include: <ul style="list-style-type: none"> ○ A terminal illness ○ Cancer requiring chemotherapy ○ Diabetes and diabetes insipidus ○ Seizure disorders ○ Chronic mental illness ○ Hypertension • Assets that do not exceed \$500 • Countable income of not more than \$300 for an individual or \$400 for a couple
General Relief Assistance	Provides for emergent basic needs for shelter, utilities, food, clothing or burial.	<ul style="list-style-type: none"> • AK resident • Have an emergent need for shelter, food, clothing or burial • Assets that do not exceed \$500 • Countable income of not more than \$300 for an individual or \$400 for a couple
WIC	Provides help in purchasing supplemental foods designed to address nutrient inadequacies and nutrition education.	<ul style="list-style-type: none"> • AK resident • Must have a nutrition risk • Pregnant , breastfeeding, and postpartum women, infants and children up to five years of age • Must meet income criteria or must be within 185% of poverty • Yearly income of \$24,050 for a 1 person household, \$32,375 for a 2 person household
WIC Farmers Market Nutrition Program	Provide voucher for purchase of fruits and/or vegetables. Provide nutrition education materials.	<ul style="list-style-type: none"> • AK Resident • Current WIC participants • Only available in Anchorage, Kenai, Mat -Su, Homer, Dillingham, Fairbanks and surrounding areas. • Yearly income of \$24,050 for a 1 person household, \$32,375 for a 2 person household
Commodity Supplemental Food Program	Provides supplemental foods designed to address nutrient inadequacies. Includes nutrition education	<ul style="list-style-type: none"> • AK resident • Pregnant , breastfeeding, and postpartum women, infants and children up to six years of age or senior citizens over age 60 • Yearly income for woman, infants, and children for family of two \$32,375 or one person household of \$16,900 for senior citizen • Only available in Anchorage, Mat-Su, and Fairbanks and limited outlying areas.
Senior Farmers Market Nutrition	Provides voucher for purchase of fresh fruits and/or vegetables from local farmer's markets. Provides nutrition education materials.	<ul style="list-style-type: none"> • AK resident • 60 years of age or older • Yearly income \$24,050 for one person household, \$32,375 for two person household • Available in Anchorage, Mat-Su, Kenai, Cordova, Fairbanks, and limited outlying areas.
Child Care Assistance	Provides monthly subsidy to help low income families pay for child care. Benefit is paid to the child care provider based on geographic location, type of care and age of children.	<p>To be eligible the parent(s) in the family must be participating in work, seek work, school or training activities and meet income criteria. Countable income is dependent on the household size.</p> <ul style="list-style-type: none"> • Child(ren) must be under the age of 13 or under the age of 19 if developmentally disabled. • Income limits are set at 85% of 2002 median income for Alaska: \$3,854 for household of 3, \$4,190 for a household of 4, etc

The Weatherization Program	Provides weatherization (energy efficiency improvements) services to eligible households, both single family owner occupied and rentals, and is administered through regional housing authorities and weatherization service providers.	The Department of Energy uses an income qualifying base of sixty percent of median income. The automatic qualifying clients for this program are those receiving SSI and LIHEAP Heating Assistance. The State of Alaska Program was expanded to include households under 100% of median income (as determined by HUD) and regionalized throughout the state. Automatic qualifiers for this program include households with occupants receiving one of the following: ATAP, TANF, SSI, Food Stamps, Heating Assistance, Senior Care benefits and or APA/IA.
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Program Name	Benefit	Eligibility Criteria	People Served Annually
Low Income Housing Tax Credit/HOME Rental Housing Program	Federal tax credits and grants for the development of low-income rental housing	Households earning less than 60% of median	Approximately 4,000 households statewide combined with HOME Rental programs
Owner Occupied Rehabilitation Program	Federal grant funds for the rehabilitation of low-moderate income homes	Households earning less than 60% of median	20 households per year
Homeownership Opportunity Program	Federal Grant funds for down payment assistance to purchase a home	Households earning less than 60% of median	21 households per year
Senior Citizens Rental Development	State grant funds for the development of rental housing for seniors	Household members must be over the age of 55, no income limit.	50 households per year. Over 1,000 to date.
Senior Access Program	State grant funds for the installation of handicap accessibility features	Household members must be over the age of 55 and under 115% of median	30 households per year, over 150 to date.
Teacher, Nurse and Public Safety Program	State grant funds for the development of rental housing for three professional classes	Must meet professional job classification requirements	Over 204 households to date, annually 51.
Shelter Plus Care	Federal Grant funds for rental assistance to homeless persons with disabilities. Non-profit "sponsors" supply required supportive services match.	Must be homeless and at least one adult in the household experiences a disability and at least 50% of median income	Over 80 households per year
Housing for Persons with HIV/AIDS	Federal Grant funds for housing assistance & care coordination for	Individuals must be diagnosed with HIV or AIDS to qualify & be	193 households were served in calendar year

	persons with HIV/AIDS	at or below 80% of median income	2007
Homeless Assistance Program	State grant funds to address homelessness and the prevention of homelessness	Individuals or families assisted must meet state definition of homeless, generally less than 50% of median income	In SFY07, 8,575 persons served: 6,138 – Shelter 1,686 – Transitional 751 - Prevention
Continuum of Care	State grant funds that leverage federal funds to address homelessness	Individuals or families assisted must meet federal definition of homeless, generally 50-30% of median income	436 households on average per year
Special Needs Housing Grant Program	State grant funds for the development of rental housing for special needs populations, mentally ill, developmentally disabled, chronic homeless, etc.	Must meet population targeting requirements, generally less than 30% of the median income	100-120 households per year

Alaska Housing Finance Corporation/ Public Housing Division

Types of Housing	Families Assisted	Basic Requirement	Benefit
Public Housing	1,322	Income at or below 80% of median	Family pays rent equal to 30% adjusted income
Housing Choice Vouchers	4,249	Income at or below 50% of median	Family pays rent equal to 30% adjusted income; AHFC pays difference to private landlord
Multifamily Project-Based (Section 8)	291	Income at or below 80% of median	Family pays rent equal to 30% adjusted income
Market Rent (unassisted)	74	No income limit	Rents are set at approximately 80% of HUD's Fair Market Rent
Total Families Assisted	5,936		

**House Community & Regional Affairs Committee
Hearing on HB 4002 and HB 4003
July 23, 2008**

Julie Kitka
President, Alaska Federation of Natives

My name is Julie Kitka. I am President of the Alaska Federation of Natives. AFN is the largest and oldest statewide Alaska Native organization in Alaska. Its membership includes the 15 regional Native corporations, 12 regional non-profits that contract and run federal and state programs and over 200 villages and tribes throughout the State.

I would like to preface my comments today by noting that Alaska Natives are committed to working with the state and federal governments and private sector partners, to help meet the energy needs of Alaska and the nation. As major landowners, we have resources which can be developed; as owners of major corporations, we have the management capacity and organizational reach to work with the federal and state governments and other major private sector investors to create new sources of energy. Our federally recognized tribes, our regional housing authorities, our regional tribal consortiums have a strong interest in being part of the solution of obtaining affordable energy – for the purpose of maintaining our unique way of life here in Alaska, and helping to meet our national energy needs. We know that our country needs to become more energy self-sufficient and less dependent on foreign oil. We are also aware that global competition for energy resources, especially from China, India and other rapidly developing countries impact our lives today and will continue to do so in the future. The hard truth is that the US is faced with tremendous energy challenges, and the cost of fossil fuels is not likely to return to the levels we enjoyed even five years ago (\$29/bbl). Energy companies, policymakers and consumers all have their roles to play in creating a new energy future for Alaska and for the United States.

But first, we must stabilize energy costs and provide immediate relief for individuals, families and communities who are hard hit and unable to pay the current high energy costs. Our communities must not be allowed to collapse under the extremely high costs in every sector of our lives. From home heating costs, to electricity, to transportation, to food costs – the collective impacts of higher prices are overwhelming our ability to make ends meet. Not everyone is fortunate enough to have a high paying job. Not everyone has the resources to pay higher costs and not flinch. Many Alaskans are being hurt right now, and we cannot afford to ignore the dangers right before us.

As U.S. citizens, living in the richest, most powerful country in the world, we Alaskans cannot sit quietly while economic lifelines are cut and schools and health clinics are in danger of collapsing. We cannot allow billions of dollars of windfall energy revenues flow into the State of Alaska's coffers to be put away for a rainy day. If this is not a rainy day, then what is?

We are experiencing rapid change right now. Most likely, the whole U.S. economy, including Alaska's economy, will be totally restructured by these high energy costs. What was an adequate response yesterday is not adequate today. We will need all Alaskans working together to overcome the magnitude of these changes. We will need to understand the economic drivers and how they will change many other aspects of our economies. But make no mistake, we must act today.

There are many things the Alaska Legislature can do in this special session. In our testimony, we have grouped our recommendations into two areas: (1) immediate relief and (2) investment in Alaska. Both can be accomplished this summer in this Special Session. And both need to be accomplished if we are to address the real needs of this beautiful state and its people.

Collectively, we have considerable reserves of oil, gas, coal and hydroelectric power. According to a recent ISER Report, employment in the petroleum industry reached a new high in 2007 and will continue to be strong. New companies could be attracted to Alaska, and pressure to open more land for oil and gas development will intensify. However, the current and unprecedented oil prices are causing extreme hardship for Alaska's families, especially those who live in rural areas. Rural Alaska has some of the highest per capita power and fuel costs in the U.S. As a consequence, bush communities are experiencing an energy crisis the likes of which we have never seen before.

Our rural communities are not on any power grid and are dependent on petroleum for three major uses – space heat (homes, public buildings and businesses); transportation (aircraft, snow machines, outboard motors, four-wheelers); and electricity (lighting and appliances). Fuel oil prices in some villages have gone as high as \$11 per gallon; and in the winter months, a village home can use four or five 55-gallon drums of oil for heating each month. This equals \$2,000 per home/per month in Arctic Village, \$1,650 in Hughes, and \$1,375 in Iliamna. These prices cannot be met - now or over the long term. Just as significantly, everything in our villages is affected by the high cost of fuel, even more so than in our cities because of the economies of scale of serving remote locations. Groceries, toothpaste, medicine, diapers, clothes, lumber, automobile and truck parts – *everything* - has gone up in price. This is devastating to individuals and small businesses; especially when wages have not gone up in decades. As an example, air cargo prices in one area jumped another 32% just last month after previous increases.

So, while Alaska's coffers are filled by high oil prices, its families, especially those in rural communities, are suffering. In May 2008, the AFN Board of Directors adopted a resolution calling on Governor Palin and the Alaska Legislature to address this growing crisis by adopting a long-term energy plan – one that covers every region of the State and which has an overall goal of equalizing energy costs for all Alaskans. We believe a multi-faceted approach must be taken – one that provides reliable, sustainable and affordable energy to all Alaskans; that encourages conservation; and that promotes economic development opportunities in the process.

Over the course of the summer, AFN's Energy Workgroup met to discuss various options for addressing the growing energy crisis in Alaska. It developed a matrix of short-term and long-term actions that could be taken by the state and federal governments, by individuals and by private industry. I will provide the Committee with a copy of our matrix of ideas, but today I would like to focus on what emerged as our top five recommendations:

1. Strengthen the Power Cost Equalization Program by fine-tuning its mission, adding more resources and expanding the eligibility requirements. AFN supports HB 4003, which would provide increased funding for PCE. Additional funding is critically needed to cover the short-fall expected this year, as a result of the rising cost of fuel. We also recommend statutory changes to the program that would maximize assistance to rate payers - including making schools, health clinics and businesses eligible; (2) increasing the household limit from 500KWh per month to the national average of 750KWh; and (3) increasing the current PCE entitlement ceiling. Right now, the PCE entitlement is limited to payments for power costs of above a minimum of 12 cents per KWh and less than 52.5 cents per KWh. The current ceiling of 52.5 cents per KWh was set in 1984, 24 years ago. Fuel prices have skyrocketed since then - so that now 54 of 193 communities eligible for the program are either above, or within 4 cents of, the ceiling. Making schools, health clinics and businesses eligible is important because it will focus energy help where it is needed, help keep down inflation, ensure that health and education funding goes to those purposes; and increase the viability of many struggling businesses in rural Alaska. Even with PCE, the cost of electricity in PCE communities is on average 38% higher than the Anchorage/Fairbanks/Juneau weighed average.

2. Buy down debt of rural utilities in order to reduce costs passed on to consumers - and include a price cap on fuel stock purchased prospectively, with a mechanism for reimbursement from the State for costs in excess of the cap. Most rural utilities generate their power with diesel fuel. According to the Alaska Energy Authority, the cost of diesel fuel for most of these, even at 2007 prices, amounted to close to 50% or more of the cost of providing power. With the increase in fuel prices in 2008, rural utilities will find it difficult to operate and maintain power plants, tank farms and distribution lines -- not to mention their insurance, interest on long-term debt, taxes and general administrative costs. The Alaska Village Electric Cooperative (AVEC), for example, serves 53 villages in rural Alaska, communities that have the lowest per capita cash incomes in the State. Because of the historically high cost of power, residents and businesses in these communities have been conserving power for many years, resulting in extremely low electricity consumption. AVEC purchased fuel for its power plants at an average cost of \$1.29 per gallon in 2002. In 2007, it paid \$2.93. Its 2008 deliveries will be at least \$4.60 per gallon (based on the L.A. Platt's Fuel Price Index as of May 13, 2008, reporting crude oil prices at \$132.57).

We support a program that would give relief directly to utility companies. We also propose capping the price of fuel purchased prospectively by electric utilities (AVEC has suggested a cap of \$10.00 per million BTU, which would translate to a price of about

\$1.30-\$1.45 a gallon for various fuels, depending on their BTU content.) The fuel supplier would charge the utility the mandated price and bill the State for the balance.

3. Expand and support bulk fuel purchasing, transportation and cooperative purchase agreements - and contribute to the Denali Commission's bulk fuel storage program, in an effort to eliminate the storage backlog and to complete rural upgrades. Communities across Alaska are faced with the costs of storing fuel, once it arrives. Fuel tanks are expensive to buy and to maintain - and have to meet stringent government environmental regulations. Many fuel tanks in Alaska are not large enough or are in need of upgrades. The State needs to step up as a true partner with the federal government in funding for the Denali Commission's bulk fuel storage program. Being able to store fuel should help stabilize consumer fuel prices. In addition, the State should provide grant funding to create bulk-fuel co-ops that combine purchases for utilities, schools, the state (for state facilities) and private businesses, so that individual communities, clusters of communities and/or regions can create economies of scale. \$211 million are needed to complete the backlog of bulk fuel storage tanks, which are old and unsafe; while \$198 million are needed to complete small electrical generation upgrades.

4. Provide a family fuel subsidy to help meet the immediate crisis. We also support passage of an energy rebate program. HB 4002 will provide immediate much-needed relief to families and individuals. Because the crisis is so much worse in rural Alaska, however, we believe consideration should be given to pro-rating the amount of the rebate, based on the cost of living index. According to a recent study by UAA's Institute of Social and Economic Research (ISER), people living in remote, rural communities are paying about 41% of their annual incomes on home energy use, compared to about 4% paid by people living in Anchorage. The State of Alaska's Department of Commerce, Community and Economic Development expects the price of heating oil in remote villages to rise from 30 -50% this winter. It is entirely possible that thousands of our fellow citizens will not be able to pay their energy bills this winter and still buy food and the other necessities of life without this emergency relief.

5. Make a sizable investment in projects that promote renewable/alternative energy and conservation efforts. The Legislature should take this opportunity to begin investing in alternative/renewable energy in a meaningful way. We are strong supporters of the development of alternative energy resources as an important addition to our country's fossil energy resources. Many villages in rural Alaska are actively working to develop a wide array of alternative and renewable energy projects. They see not only the potential for reducing the cost of energy, but also the tremendous manufacturing, sales and service components (e.g., the fact that wind and solar energy will need tailored products, services and alternative building materials; and the fact that plans and supplies for hybrid homes and facilities that are now being developed and manufactured abroad could be developed and manufactured in Alaska. Our larger cities are doing the same. It is time for the Legislature to dedicate funds to allow a range of initiatives, all over the state, to get underway. We suggest a minimum of \$5 billion as capital and seed funding. The idea of regional energy authorities is a good one and deserves our support.

In addition, the following recommendations deserve your attention:

(a) Invest in the University of Alaska and other institutions of higher education in order to put the best minds to work on taking new energy technologies and scaling them down to community size. A lot of new technologies are in the process of development, which can change the whole energy situation. Applied research and development is going on all over the country, and much of it will focus on large-scale energy needs. It is important that we have an institutional framework of higher education with adequate resources to assist in the development of solutions relevant to our situation in Alaska. We need applied research and development to meet Arctic conditions, and we need to scale down some technologies to meet small, remote communities' needs. The competitive edge in the world will go to those areas that have affordable energy, the best educational systems and an investment climate that is forward-thinking. We urge the Alaska Legislature to consider investing at least \$1 billion right now to ensure that our institutions are not left behind. A state without a strong university system is a state trying to navigate the future with one hand tied behind its back. This is not wise - or necessary. We should allocate sufficient funds to drive innovation and educational excellence. This, in our view, is an investment in the future of all Alaskans.

(b) Provide relief to our air carriers (large and small). We cannot let air carriers shoulder the high costs of energy on their own. We need to look at the various ways the State can provide incentives to keep our essential transportation and air cargo services viable. We all depend on this sector of our economy, and we must do whatever we can to ensure its continuation.

In conclusion, it is critical that the Governor and the Alaska Legislature take action right now. We need immediate relief and we need a longer-term investment in our future. The time to take action is now - because Alaska has the money to invest and partners willing to work with the State to develop our energy options.

**Energy Work Group Discussion
Matrix**

Alaska Federation of Natives
Energy Work Group Discussion

First Draft, June 2, 2008

This matrix attempts to capture all the Energy Work Group Members' suggestions about how to address the energy crisis in rural Alaska.

How to use this matrix: To easily scroll through the criteria while still viewing the suggestion click on C14 then click on Window in your top navigation bar then Split; repeat same steps to undo Split frame.

To sort the suggestions according to criteria-- highlight the entire grid from A:10 to K:60, then click on Data/Sort, take note that you've highlighted the header row and choose criteria on which to sort.

Category	Proposed by - Suggestion	Implementation		Each Criteria is Given Equal Weight						TOTAL
		Short-term	Long-term (High Capital Outlay on Infrastructure)	Fast, Affordable & Reliable** (Consumer/Family-focused)	Investment toward self-sufficiency (Community-as-Producer-focused)	Accessible Energy & Low Transmission Cost	Uses Natural Resources in Renewable Way	Uses Revenue Sharing or Economic Incentives*	Considers Environmental Quality	
Conservation/Efficiency	Aleutian Pribilof Islands Association (APIA) - changing incandescent lights for compact florescent lights	X		1.00		1.00		1.00	1.00	4.00
Conservation/Efficiency	CEDS -- Energy conservation efforts in heat recovery, lighting upgrades, etc.	X		1.00		1.00		1.00	1.00	4.00
Conservation/Efficiency	CEDS - Where possible, utilities should work towards coupling renewable energy into their existing hydrocarbon based systems to provide a higher level of efficiency	X	X	1.00	1.00	1.00		1.00	1.00	4.00
Policy/ Programs	AFN - Cut the pipeline of unmet need of the Denali commission bulk fuel storage program (\$198m) and power generation and upgrade (\$211m) cost savings as well as reduce environmental risk from 40 to 50 year old leaking tanks	X		1.00		1.00		1.00	1.00	4.00
Policy/ Programs Conservation	Energy & Infrastructure Business Liaison, Interior Regional Housing Authority - The state could invest more money into the Village End-Use Efficiency Program, which is managed by AEA and contracted out to organizations that submit the best proposals. This program brings down the immediate electrical demand by about 30-50% for community buildings by changing light fixtures and addressing major mechanical issues	X		1.00		1.00	1.00		1.00	4.00
Policy/ Programs Conservation	Energy & Infrastructure Business Liaison, Interior Regional Housing Authority - The state could invest more resources in the Rural Power System Upgrade (RPSU) program implemented by the Alaska Energy Authority. This program installs more energy efficient generators in the villages and provides a dual-generation system with switchgear so when the community's electrical load decreases they can switch to a smaller more fuel-efficient generator.	X		1.00		1.00	1.00		1.00	4.00
Co-Ops/Bulk Fuel Purchasing	AVEC wishes to propose that fuel stock purchased prospectively by electric utilities be price capped at some number and we suggest \$10.00 per million BTU. This would translate to a price of about \$1.30 - \$1.45 a gallon for various fuels, depending upon their BTU content. The fuel supplier would be the entity that would deliver the fuel, charge the utility the State mandated price and bill the State for the balance	X		1.00		1.00		1.00		3.00
Co-Ops/Bulk Fuel Purchasing	AFN and Grete echoing REAC ('05) - Develop bulk fuel rural cooperatives - cooperative buying can provide some savings and it would definitely be worth some financial experts penciling it out to find out for sure - there may be other ways of using this purchasing power too, such as timing of purchases, and delivery and storage of the fuel (OPIS fuel purchasing and management trainings)	X		1.00				1.00		2.00
Co-Ops/Bulk Fuel Purchasing	CEDS - Organizing communities where possible to invest in Bulk fuel purchases to lower fuel costs where possible - Co-ops should also be encouraged and set up where possible	X		1.00				1.00		2.00
Policy/ Programs	AFN- Testimony to Senate Cmt of IA - Low-Income Home Energy Assistance Program	X		1.00				1.00		2.00
Policy/ Programs	AFN - Add additional resources to the power cost equalization endowment and expand eligibility for qualifying	X		1.00				1.00		2.00
Policy/ Programs	AFN - Buy down of existing utility debt to lower costs	X		1.00				1.00		2.00
Policy/ Programs	AFN - Establish long term, 40 year term zero or 1 percent interest energy loan programs	X		1.00				1.00		2.00
Research & Development (R&D)	Aleutian Pribilof Islands Association (APIA) - a bulk fuel and alternative energy survey to secure bulk fuel price reductions and better delivery services to our region	X		1.00				1.00		2.00
Exploration	CEDS/AO230 - Statewide exploration for coal-bed methane should be encouraged to see if any communities are in close proximity to gas that could be used to displace high cost diesel	X		1.00		1.00				2.00

Policy/ Programs Conservation	CEDS/Alaska State Chamber of Commerce/Anchorage - Education program explaining the benefits of energy conservation and the ability to lower the consumers' energy bills need to be developed	X			1.00					1.00	2.00
Policy/ Programs Conservation/Efficiency	CEDS/Alaska State Chamber of Commerce/Anchorage- Power Cost Equalization should be funded until it is no longer needed	X			1.00						1.00
Conservation/Efficiency	Aleutian Pribilof Islands Association (APIA) - retrofitting or replacing old inefficient heating systems with more efficient systems		X		1.00		1.00		1.00	1.00	4.00
Exploration	AFN- Testimony to Senate Cmt of IA - providing incentives, such as OCS revenue sharing for Alaska's coastal communities; leases which have generated a lack of widespread community support be revisited and discussions opened up with affected communities to address their concerns		X		1.00	1.00		1.00			4.00
Conservation/Efficiency	CEDS/AO230 - Where realistically feasible and beneficial, communities should look into tying grid systems together				1.00		1.00		1.00		3.00
Policy/ Programs	CEDS/Alaska State Chamber of Commerce - Alaska needs to create and adequately capitalize a renewable energy fund so that Alaska can remain economically competitive through the development of its flat priced energy resources	X				1.00		1.00	1.00	1.00	4.00
Policy/ Programs Conservation	Kawerak, Inc. - The Creation of a Renewable Energy Fund and Revolving Loan Program will respectively finance new utility scale renewable energy projects in Alaska and allow individuals and businesses to purchase solar panels, configuration kits, wind mills, etc. The Fund shall be funded by general appropriations. The fund shall be distinct from funds administered by Alaska Energy Authority. The Fund will conduct a program of energy research, development, demonstration & application	X	X			1.00		1.00	1.00	1.00	4.00
Policy/ Programs	Energy & Infrastructure Business Liaison, Interior Regional Housing Authority - The state could pressure/encourage utility companies like AP&T to invest in renewable energy exploration and development in their communities. More cooperation from the electricity providers would help projects get moving sooner	X					1.00		1.00		2.00
Policy/ Programs Conservation	Energy & Infrastructure Business Liaison, Interior Regional Housing Authority - The state could invest in Energy Education in Alaskan Schools that involves young people in finding energy solutions. Examples include energy-related courses offered for high school students, a statewide energy gathering for high school students to attend, local school projects, and statewide science fairs that are aimed at finding solutions for community energy needs. The result are increased energy savings in homes and schools, and a generation of state leaders that are proactive and informed on energy issues	X								1.00	1.00
Policy/ Programs Conservation	CEDS, Alaska Regional Development Organizations - Develop regulatory guidance for rate-makers that will encourage energy conservation and increased efficiencies	X								1.00	1.00
Policy/ Programs Conservation	Kawerak, Inc. - Create a cabinet level position to coordinate efforts and centralize state and federal resources to solve the long term energy crisis	X									0.00
Research & Development (R&D)	CEDS/Alaska State Chamber of Commerce/Anchorage- The propriety of a statewide propane distribution system must be evaluated such as the demonstration project suggested by Alaska Natural Gas Development Authority (ANGDA)	X									0.00
Research & Development (R&D)	CEDS - More educational resources need to be developed to go hand in hand with AEA's Renewable Energy Atlas of Alaska, a guide to biomass, geothermal, hydroelectric, ocean, solar, and wind energy	X									0.00
Research & Development (R&D)	CEDS- A study to investigate the feasibility of establishing regional energy centers at all of the university rural campuses - A study to investigate the feasibility of establishing regional energy centers at all of the university rural campuses (AO230)	X									0.00
Hydro	Energy & Infrastructure Business Liaison, Interior Regional Housing Authority - The state could invest in the application of In-Stream Turbines in the Yukon River (and other rivers). The Yukon River Inter-Tribal Watershed Council is seeking funding to purchase a piece of equipment that will determine whether or not the in-stream turbines will work in different communities on the river. The state could develop a funding program to help organizations buy these devices. The community can then apply for funding to purchase the in-stream turbine once they have established its feasibility		X			1.00	1.00	1.00	1.00	1.00	4.00
Conservation/Efficiency	CEDS - to spend the \$ proposed in energy rebates on retrofitting all the rural utility systems for alternative energy		X			1.00	1.00		1.00	1.00	4.00
Conservation/Efficiency	CEDS- Fund highly efficient power plant generators, switchgear, and heat recovery systems (AO230)		X			1.00	1.00	1.00	1.00	1.00	4.00
Policy/ Programs	AFN- Testimony to Senate Cmt of IA - Renewable Energy Deployment Grant Program to provide federal grants for up to 50% of the cost of building a wide variety of renewable electricity projects, including wind, geothermal, ocean, biomass, solar, landfill gas and hydroelectric projects in Alaska		X			1.00		1.00	1.00	1.00	4.00
Policy/ Programs	CEDS/SWAMC Resolution 07-05 - Renewable Energy Fund (HB 152) - creates financial incentives available to both for- and non-profit entities for renewable and alternative energy project development		X			1.00		1.00	1.00	1.00	4.00
Biomass	AFN- Testimony to Senate Cmt of IA - Alaska has a great amount of wood, wood waste and sawdust for potential use in space heating and electrical generation, and a few villages have begun to talk of making wood pellets from plentiful willow brush. Alaska's fish processing plants produce about a ght million gallons of fish oil each year. With some chemical changes, this oil can be mixed (50-50) with diesel for generation. Community waste disposal produces 650,000 tons of garbage in Alaska each year, but again, design and capital costs are expensive and need public incentives		X			1.00	1.00	1.00		1.00	4.00

Biomass	Energy & Infrastructure Business Liaison, Interior Regional Housing Authority - The state could invest in Yukon Flats Biomass project in Fort Yukon (Council of Aleutian Tribal Governments and Alaska Village Initiatives). This project is the first large-scale biomass development project in Interior Alaska. If successful, most of the community's heating needs would be addressed through biomass boilers.	X			1.00	1.00	1.00	1.00	4.00
Solar	AFN- Testimony to Senate Cmt of IA - Summer in Alaska produces a huge amount of sunlight, but winter darkness is the time of greatest energy demand. Large-scale solar projects do not presently have a great potential, but in some places, small projects are possible. This also requires the homeowner or community to make up-front capital investments, largely without public incentives from the state or federal government.	X			1.00	1.00	1.00	1.00	4.00
Wind	AFN- Testimony to Senate Cmt of IA - Alaska has world-class wind energy resources, especially along the coastal and western regions of our State. There are 31 rural Alaskan communities that already have good opportunities for wind generation - and 17 more that are "potentially attractive." There are at least seven projects currently operational with another eight in the planning stages. The potential is obvious in locations like Kotzebue, Upper Cook Inlet, the Lake and Peninsula area. Barriers to harnessing wind power include high development costs, the need for trained maintenance, problems of land ownership and licensing, and the absence of public incentives to wind developers.	X			1.00	1.00	1.00	1.00	4.00
Wind	Aleutian Pribilof Islands Association (APIA): home-based wind turbine house heating system proposal of units that could be installed by community members on their homes to reduce their overall energy costs. This idea needs to be tested in the field and we are looking for appropriate funding opportunities to move forward.	X			1.00	1.00	1.00	1.00	4.00
Coal	AFN- Testimony to Senate Cmt of IA - Coal is abundant in Alaska, but has higher CO2 emissions than other energy sources. However, coal can be used to produce synthetic "natural" gas with and without carbon capture. The problem is that these gasification technologies are expensive and still under development. Finally, coal-bed methane has been identified in the Susitna Basin, but its economic potential has not been established. Coal-bed methane may also exist in specific locations close to some remote communities.	X			1.00	1.00		1.00	3.00
Conservation/Efficiency	AFN- Testimony to Senate Cmt of IA - Congress should work closely with the State to ensure that in development of a Natural Gas Pipeline in Alaska, our communities have access to the natural gas that will pass through that pipeline through spur connections and pipe, and that ownership, partnership, and contracting opportunities for Alaska Native tribes and corporations be part of the development.	X			1.00	1.00		1.00	3.00
Hydro	AFN- Testimony to Senate Cmt of IA - Existing hydro generation produces nearly 25% of the state's electricity. But, Alaska also has almost 45 billion watts of large and small hydro potential, more than any other state. Hydro also brings its problems, especially regarding environmental damage, but eight billion watts of the state's potential is in small projects that produce less than one million watts - and which don't require dam construction.	X			1.00	1.00	1.00		3.00
Ocean Wave Action	AFN- Testimony to Senate Cmt of IA - Alaska has over 34,000 miles of coastline, making it one of the best ocean energy resources in the world. The total wave potential, just on Alaska's southern coast, could produce almost 300 times the electricity used in the entire state each year. But the significant barrier to wave development is often the distance between the resource and the demand, requiring costly transmission infrastructure.	X			1.00		1.00	1.00	3.00
Policy/Programs	AFN- Testimony to Senate Cmt of IA - Congress should urge the Department of Interior to publish regulations on an expedited basis to implement the programs authorized by the Indian Tribal Energy Development and Self-Determination Act, Title V of the Energy Policy Act of 2005, and Congress should fully fund their implementation. The Indian Tribal Energy Development and Self-Determination Act authorizes a variety of financial, technical, environmental and other programs that are intended to empower tribes and Alaska Native Corporations to develop energy resources. It authorizes the Department of Interior's Office of Indian Energy Policy and Programs to reduce energy costs, enhance tribal energy infrastructure and improve delivery of electricity to tribal communities. It also authorizes a multi-billion loan guarantee program, as well as other assistance to encourage development of renewable and non-renewable resources by tribes and tribal organizations.	X			1.00		1.00	1.00	3.00
Geothermal	APIA - We have many renewable energy projects completed, underway and in planning in our region using wind turbines, geothermal and hydroelectric systems.	X			1.00			1.00	2.00
Hydro	APIA - We have many renewable energy projects completed, underway and in planning in our region using wind turbines, geothermal and hydroelectric systems.	X			1.00	1.00			2.00
Policy/Programs	AFN- Testimony to Senate Cmt of IA - Congress should increase funding to the Denali Commission for developing alternative/renewable energy projects.	X			1.00		1.00		2.00
Geothermal	AFN- Testimony to Senate Cmt of IA - A recent study points out four potential geothermal areas in Alaska: interior hot springs, southeast hot springs, the Wrangell Mountains, and a combination of the Alaska Peninsula and the Aleutian Chain. The value of geothermal power is magnified by the fact that it can produce both heat and electricity. But problems include accessibility to volcanic areas, transmission distances and possible environmental damage.	X			1.00				1.00
Policy/Programs	AFN - New economic and energy hub zones. Incentivize and expand economic growth.	X			1.00				1.00
Policy/Programs	CEDS/Alaska State Chamber of Commerce/Anchorage - As the development of renewable energy increases and the need for educators grows, Alaska's University system must be encouraged to develop curricula to train more Alaskans in energy development, production, delivery and management.	X							0.00

* including tax credits, low interest loans, rebates and grants
 **Acid test: Alleviates transportation costs to access healthcare within a year
 Alaska Federation of Natives